Tools for Alliance Builders

First version: April 3, 2002
Second version: November 6, 2002
Third version: July 9, 2003
Fourth version: September 9, 2003
Current version: September 10, 2004

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USAID GLOBAL DEVELOPMENT ALLIANCE
Tools for Alliance Builders
September 2004

INTRODUCTION

Tools for Alliance Builders is a resource guide addressing fundamental and applied questions about building public-private alliances that address development problems. This practical handbook helps USAID staff engaged in alliance building understand, navigate, and smoothly link two processes: 1) the outwardly focused process involved in finding and working collaboratively and effectively with private sector partners; and 2) the inwardly focused process of navigating USAID policies and procedures related to its annual programming cycle and the obligation of its funds.

Managers of USAID operating units, program technical staff, and procurement and legal staff may all find themselves involved in various aspects of building and managing alliances, and they will all find information here that relates to and supports their roles and responsibilities in alliance development. Furthermore, this guide may be of some interest and use to foundations, corporations and other potential alliance partners who wish to understand USAID's perspective on alliances and the internal issues that it must take into account when engaging in them. An abridged version of this document addressed to potential resource partners is pending.

Tools for Alliance Builders is a publication of USAID's Global Development Alliance Secretariat that is periodically updated and refined to reflect lessons learned and the ever-improving state of the art. It is designed, through a modular format, to allow the reader quick access to key information. Because of the extensive use of hyperlinks, accessing *Tools* in electronic format is recommended.

Considering a Public-Private Alliance lays the groundwork for considering what constitutes an alliance, the business and government case for working together, leveraging, and strategic planning.

Engaging Partners introduces the reader to initial outreach efforts, the appropriate way to contact for-profit partners, due diligence, and technical assistance.

Constructing an Alliance discusses the important steps of joint planning and documenting agreement among partners, as well as procuring goods and services to carry out alliance activities.

Managing an Alliance discusses the operational structures and mechanics required to maintain an alliance, including governance, monitoring and evaluation, and reporting.

The *Tools* in each section contain resources providing frequently asked questions, practical models and examples to address targeted technical issues at a level of detail greater than what is in the text. Throughout *Tools for Alliance Builders* references are made to items in each section's *Tools*, which are hyperlinked to the actual item either on the Internet or in this document.

Extending the Impact of Government, Business, and Civil Society

The USAID Global Development Alliance (GDA) promotes a development assistance model predicated upon the idea of partnership between the public and private sectors, and designed to deepen programmatic impact by combining the interests and capabilities unique to each. In two fiscal years of operation, the GDA business model has leveraged over $2.2 billion in total partner assets through $500 million in Agency funding.

In remarks before Congress in May 2001, Secretary of State Colin Powell introduced GDA as "a fundamental reorientation in how USAID sees itself in the context of international development assistance, in how it relates to its traditional partners and in how it seeks out and develops alliances with new partners."

This 'fundamental reorientation' is illustrated by the shift in resource flows to the developing world over the last three decades. In the 1970's, 70% of resource flows from the United States to developing countries consisted of Official Development Assistance. Today, 80% of those resource flows consist of foreign direct investment, private donation from foundations and other sources, remittances, and movement in capital markets. Official Development Assistance accounts for only 14%.

This shift reflects the emergence of private sector entities as active participants in the development process. The Global Development Alliance assistance model[1] responds to this changed environment, and extends USAID's reach and effectiveness in meeting development objectives by combining its strengths with the experience and capabilities of the private sector.

The GDA assistance model advances development goals through a variety of methods. USAID might work with national and international corporations with a commitment to social responsibility. Or USAID can engage a corporation's direct business interests in a region to guide foreign direct investment or corporate capabilities in product development, marketing, and distribution in support of development goals. USAID also works with local and international partners to lower barriers to market entry for goods serving a public interest, simultaneously improving service-delivery and stimulating economic development. Not to be forgotten as an important revenue source are personal remittances – the Global Development Alliance has brought together partnerships to lower transaction costs and channel remittance flows towards investment rather than consumption. Finally, USAID assumes risk in a variety of operations, thereby catalyzing nascent markets in home mortgages, investment capital, or imports and exports.

Similarly, the resources leveraged are as diverse as the alliances themselves. They include technology and intellectual property rights, market creation, best practices, policy influence, and expertise ranging from international trade to biodiversity protection. Together, the combination of complementary assets has encouraged innovative approaches, more effective problem solving, and deeper program impact.

[1] From the Agency perspective, public-private alliances are a 'new' business model for development. It is worth noting, however, that partnership between public and private sector actors has been a trend for the last decade at least, and that for a number of USAID officers the idea and practice of engaging the private sector is not new.

1. CONSIDERING A PUBLIC-PRIVATE ALLIANCE

The purpose of a public-private alliance is to deliver greater development impact through the combined strengths of multiple stakeholders. Although alliances are not new, the Global Development Alliance represents a more intentional and concerted approach to them, and with a goal to integrate the model into Agency practice. A successfully mainstreamed public-private alliance approach to development is one in which the willingness and ability to identify and engage those intersections is practiced in every program area, in every country where USAID has a presence, and at every level of the Agency.

Alliances do not typically consist of the usual USAID partner arrangements, wherein the strategic objective team decides the problem and solution and then seeks implementing partners through conventional mechanisms[2]. Rather, alliances become possible where private sector interests share a degree of overlap with an operating unit's strategic objective or planned result. Alliances then become a mechanism by which an operating unit taps into additional resources in support of its strategic objectives, and for-profit resource partners enlist USAID's development expertise in support of its direct and indirect business interests[3].

Under what conditions is a public-private alliance appropriate? The answer depends largely on the local conditions faced at the mission level, or regional or global issues at the bureau level.

In Armenia, an already strong degree of donor coordination and the presence of large remittance flows from diaspora populations was conducive to generating alliances reforming the media sector and ramping up assistance in the country's earthquake zone.

In resource rich countries such as Indonesia, Angola, and Nigeria, extractive companies are now taking seriously the need to effect sustainable investments in the communities in which they operate, as well as engage national and subnational governments where program-level impact can most often be achieved. See the Learning Story series on the GDA website (www.usaid.gov/gda) for in-depth treatments of individual alliances in different sectors.

In Mexico and other countries with diaspora populations, GDA has engaged private financial services companies in order to lower transaction costs so that more resources flow to the populations and communities that need them most. Alliances also engage hometown associations in order to channel remittances towards community-level investment rather than household consumption. See also FAQs: Remittances and the GDA remittances report.

A collection of about 200 alliances over fiscal years 2002-2003 indicates that the examples of alliance activity are many and varied[4]. From demand-driven supply chain management to information communication technology skills training among youth to catalyzing nascent markets in a variety of operations, public-private alliances can work wherever private sector interest is corralled by a commitment by development officers to engage the private sector as an important stakeholder in advancing the development agenda.

[2] Public-private alliances are an innovation in Agency practice because they explicitly call for relationships with other donors and private sector resource partners at the mission or bureau level. However, at the activity level USAID does typically use its more traditional network of implementing partners.
[3] See *The Competitive Advantage of Corporate Philanthropy*, by Michael E. Porter and Mark R. Kramer for a discussion of philanthropy aligned with core business interests.
[4] The GDA Secretariat maintains a listing of these alliances. Contact the Secretariat directly for the full listing.

What USAID and Private Partners Offer Each Other

In the two fiscal years that the GDA Secretariat has endeavored to mainstream the alliance model throughout all levels of Agency practice, discussions between USAID staff, representatives from the private sector, foundations, and NGOs have brought to light story after story of the symbiotic relationship that develops when the public and private sector meet to implement development programs. Practitioners from each sector have come to realize and appreciate the rich lode of skills the other possesses.

> At the July 2003 GDA Workshop for USAID Washington, Administrator Natsios brought his own experience to the group in recounting a conversation with the CEO of a major IT firm. Mr. Natsios asked, "What is it that USAID is helping you with since we've got so little money?"
>
> The CEO was clear in his answer – entrée to government ministries and USAID's deep knowledge of how the national governments work and with whom to work.

<u>The Business and Government Case for Doing Business</u>

What are the incentives for business to work with USAID? Today's emerging consumer markets exist in the same developing countries where USAID facilitates good governance, public health, and economic development. Corporations therefore engage USAID where their direct or indirect business interests can be furthered in those markets, or where their philanthropic interests can be applied. What 'service' does USAID provide that corporations might not find anywhere else? Why might a corporation engage with USAID? USAID offers:

- Funding. USAID disburses approximately $14 billion each year to build human and institutional capacity in developing countries. Through the Global Development Alliance business model, there is now a formal mechanism to actively seek ways to bring matching funds to business ventures related to the development outcomes USAID officers seek to engender.
- Access. USAID can introduce corporate partners to host country policymakers and key institutions. Such contacts can help a firm pursue its non-alliance business interests.
- Development expertise. USAID development officers are leaders in the field of democracy and governance, public health, and economic development, with experience as both practitioners and theorists in facing development problems.
- Long-term in-country presence. USAID's decentralized structure results in mission-level competency and autonomy in advancing country-specific development agendas.
- Relationships with local and global partners. USAID can provide valuable introductions to its vast network of local and international corporations and nonprofits, all potential partners for business.

What are the incentives for USAID to work with business? Firms have an acumen for profit-driven results due to market pressures public institutions do not face so directly, and therefore have their own unique set of competencies. What are the business 'services' USAID can take advantage of?

- Product Development. Well before an alliance with USAID was even considered, Proctor & Gamble invested $20 million developing a product that reduces incidence of diarrhea and other water-borne diseases by up to 50%.

- Funding – cash and/or in-kind resources. After further investment to distribute and market the product in several developing countries, Proctor & Gamble partnered with USAID to invest $3.5 million to test the product in three model market situations. USAID is working alongside this effort to test market viability and evaluate product efficacy in relation to other available technologies.
- Core business service expertise. Firms that commit to social responsibility via what they already do as a business can be a powerful force. In Ghana, the largest retail food chain in the world invested in rural pineapple producers to help them meet European Union and U.S. import requirements. The company could then immediately enter the product in its supply chain to retail markets.

- Product distribution channels. Existing business product channels can be utilized to carry goods of development interest. The social marketing of public health items could then be transported and distributed alongside goods whose distribution was already paid for by market demand.

- Project design better connected to market realities. Development interventions do not always take sufficient account of how consumers will respond. Working with business can help ground USAID officers to better target their programs for better results.

The hoped-for result of collaboration between USAID and private sector partners is that synergies will result from such joint efforts. Alliances are most successful when USAID and business offer complementary skills and multiply value.

Resource Leveraging

A key characteristic of public-private alliances is the leveraging of significant resources defined as follows in ADS 200.6:

- Leveraging significant resources may include financial resources, in-kind contributions and intellectual property.

- Significant resources are considered at least or greater than a dollar for dollar or 1:1 match of partner to USAID resources.

By harnessing or leveraging resources via partner relationships, development activities can leverage deeper development results and eventually have greater lasting impact. To date, rough estimates indicate that USAID has achieved a 4:1 partner to USAID resource leverage. The GDA Secretariat's database of alliances shows that for FY02-03, $500 million in USAID resources leveraged over $2.2 billion in total partner assets.

While leveraged resources are a necessary condition for public-private alliances, it is by no means the most important or only condition. Mature alliances will include joint planning and decision-making, innovative approaches and/or nontraditional partners, and sharing of resources, risks and development results.

The following four key characteristics, known as the **Alliance Precepts**, are present in successful alliances:

- Joint definition of the development problem and its solution by all development partners in the alliance.

- Agreement between the development partners to share resources, risks and results in pursuit of an objective that can be better obtained with a joint effort.

- Looking toward new partners (or existing partners in new ways) for innovative approaches to get the job done.

- Leveraging significant resources that may include financial resources, in-kind contributions and intellectual property.

Bear in mind that alliances are a return on investment of time and budget over the long term. Though initial outreach and consultation may involve discussions beyond the typical planning process, alliances ultimately produce more attention and resources for development objectives:

- Alliances present an opportunity to at least double resources devoted to a particular development activity being implemented through an alliance
- By working across stakeholder interests, USAID officers can help focus those groups that influence a program's results
- Alliances increase the human resources committed to an objective — the commitment is greater because the investment of real resources and shared risk are tied to core interests
- The solution to a development challenge often can be achieved through an alliance modality

See Preconditions for Success: An Alliance Checklist for further discussion.

In evaluating a proposed alliance activity for impact, the amount of resources leveraged is both a technical and cost criterion. However, the amount of resources leveraged is only one factor governing development impact. Therefore higher leverage does not necessarily mean greater development impact relative to a lower resource leverage. It may, however, reflect greater partner commitment, which can translate into greater sustainability.

In addition to the 1:1 leverage ratio, in 2003 the GDA Secretariat established a requirement that non-public resources should be no less than 25% of the USAID contribution, whether in cash or in kind. For example, an NGO proposes an alliance and requests $1 million in USAID funds, to be matched by a $2 million contribution sourced from the World Bank, another bilateral donor such as the UK Department for International Development (DfID), or another United States Government (USG) agency or department. In this case, the collaboration would be considered donor coordination. To be considered a public-private alliance, at least 25% of the requested USAID funds, in this case $250,000, would have to come from private (non-public) resources. Private resources could be from corporations, foundations, or NGO resources tapped from the private sector, such as private fundraising. The Leveraging Guidelines for APS, as drafted by the USAID General Counsel's (GC) office and the USAID Office of Procurement (OP), is included in this section's *Tools* for additional insight into the concept of leveraging resources.

Some operating units exceed the 1:1 leverage. The Asia/Near East Bureau (ANE) has continually raised the stakes since first promoting alliances. In FY 2003, missions were encouraged to leverage 2:1 in partner resources. In FY 2004, that figure was raised to 3:1 for the bureau's education alliance.

Where Alliances Might Fit in Strategies

While the circumstances surrounding alliance creation differ widely, the basic process of including such alliances in a country strategy is similar to the planning required for any development program, following the precepts of ADS 201.

Alliances in New Strategic Plans

Analytical work at the beginning of a new strategic planning period should draw upon private sector perspectives and experience to assess, by sector, the prospects for alliances to contribute to priority development objectives, examine and engage the range of potential partners (local and international private companies, foundations, NGOs, etc.), and inform mission or bureau decision-making about how best to allocate limited resources towards future alliance building.

Public-private alliances can be planned at the strategic objective or activity level. Crosscutting objectives are particularly useful in order to capture dynamic alliance opportunities that may arise among any of a mission or bureau's strategic objectives.

All interested parties in a particular sector or sub-sector should be given equal opportunity to engage with USAID during the strategic planning process. Once a strategic objective(s) has been established, discussions may mature into analysis of a specific development issue, strategies to address that issue through joint planning, negotiation towards partnership, and implementation through standard procurement instruments. At this point, consideration of organizational conflict of interest (OCI) must be taken into consideration. See Engaging Partners for more discussion of this concern.

Traditional strategic planning procedures used by field missions may need to be adjusted to accommodate the potential use of alliances as a development tool. See A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances into USAID Strategic Planning for an in-depth discussion of the process of organizing the planning, conducting relevant analyses, formulating the strategy, and planning for implementation of alliances in strategic planning.

Alliances in Mature Programs

As alliance opportunities may arise unexpectedly, whether in response to an emergent corporate social responsibility interest or a sudden turn in a longstanding partner relationship, alliances are often programmed midstream in the strategic planning cycle.

In this context, alliances may be thought of as 'tactics' that can be used to contribute to previously approved strategic objectives. For alliances planned at the strategic objective level, there may be discretion within the strategic objective to allocate funds from one activity to another. For alliances planned at the activity level, adjustments often can be made by amending existing grants or contracts.

Alliance Building with Resource Constraints

Incorporating alliances midstream is often made difficult due to the shortage of USAID budget resources available for newly identified activities. Some ways of meeting this challenge are:

- Use **pillar bureau buy-in** mechanisms (or other vehicles) to create a new activity within an existing strategic objective.

  Considerations:

Technical assistance (TA) and procurement support may be available from pillar bureau
U.S. partners are likely to be identified and partner relationships in place
May not necessarily resolve funding constraints for future year funding

An example of this mechanism is the Alliance in Youth Development managed by EGAT/ENV/UP (Economic Growth Agriculture and Trade, Environment, Urban Programs).

EGAT/ENV/UP, in the process of broadening activities focused on HIV/AIDS, employment and conflict mitigation, planned an EGAT-AFR alliance to support youth development. ENV/UP staff, in collaboration with AFR, developed a joint EGAT-AFR alliance, which builds on an existing Leader with Associates agreement and ENV/UP's ongoing, separately funded, alliance relationships with the International Youth Foundation (IYF) and Lion's Club International. The EGAT-AFR plan is to offer the resources available under these programs — both technical assistance and access to the leveraging potential — to any Africa mission that wishes to develop an activity in support of youth development. Strong interest in this option was demonstrated by missions with SOs in HIV/AIDS, employment, and conflict mitigation, given the central role that youth plays in all three sectors. The alliance affords mission support under this arrangement without requiring funding in the initial year, making it an attractive avenue for resource-short missions interested in alliance building.

- **Build alliances around existing grants/contracts** to provide TA support for alliance activity, in parallel with contributions provided by outside partners; partners can be brought in for collaboration and agreement without commingling resources or redirecting existing work.
  Considerations:
    TA services are already in place
    The scope for joint planning is somewhat restricted
    May need to amend grant/contract
    May need to redefine roles and relationships

This approach could take the form of adding new partners that bring their own funding for program components. Partner contributions might include foreign direct investment, purchasing power, lessons learned, combined political influence, proprietary products, intellectual property, complementary skills and services, volunteerism, and increased problem solving and reach.

An example of how this approach can work is the Papua Bird's Head Alliance in Indonesia.

USAID/Indonesia used existing grants and contracts to support alliance opportunities that contributed to mission priorities. For example, one program was building budgetary capacity in Indonesian local government units in response to the recent decentralization law returning 70% of local revenues back to local governments. When BP began construction of a natural gas processing plant in a resource-rich, previously untargeted region in a remote province, there was obvious need to build capacity in the local government to properly handle the influx of resources from the gas plant and returned to the local government via the decentralization law. The mission successfully expanded existing activities to that region as alliance activities.

While the mission's resources were committed under several sectorally focused Strategic Objective Agreements (SOAgs), these did not require amendment or renegotiation since the alliance activities were entirely consistent with the objectives defined in them. Rather, a coordinating mechanism was needed within the mission to ensure management of activities by individual SO Teams. The mission was sufficiently integrated to support the cross-sector alliance program. Where contract or grant amendments were required, contractors were responsive and more than willing to cooperate, as they saw the benefit to the program of mobilizing additional resources under the proposed alliance. However, an amendment outside the contract scope of work or grant program requires adequate justification and must be approved, which may at times prove difficult and/or time consuming.

- **Reallocate resources within a Strategic Objective Agreement (SOAg)** to fund new grant/contract support for alliance work.

  Considerations:

  This is a clean start — permits competition, joint planning, and clearly-defined partner relationships from the outset.
  However, it may be necessary to renegotiate with the host country government

- **Seek out partners that can bring their own funding**.

  Considerations:

  This offers a potentially high return on investment of staff time, but with no guarantee of success.

This is not just a theoretical point, but builds on what is routinely practiced by many USAID missions in their donor coordination work. When this concept is broadened to embrace privately funded development programs and is done with focus and continuity, it can produce significant results, as is illustrated by the experience of the Brazil mission. A USAID officer successfully 'leveraged' the activities of other bilateral and multilateral donors and private foundations to support local USAID objectives by regularly convening consultative donor meetings and advocating greater coordination in support of specific sectoral goals.

- Use **GDA Secretariat or Bureau Incentive Funds** to create a new activity or scale up existing activity supporting an existing SO.

  Considerations: Additional resources
  Clean start – permits competition, joint planning, clear partner relationships
  Not available to all

If a mission identifies an opportunity to build an alliance in support of their existing program, but cannot free up adequate budget resources, there are sometimes limited resources within the GDA Secretariat or perhaps through a mission's parent bureau.

Bear in mind that USAID's Development Credit Authority (DCA) works as an alliance, providing a variety of partial guarantees to private lenders and investors to finance development activities. See this section's *Tools* for details and examples.

Tools

- Illustrative Learning Story: Armenia Earthquake Zone Recovery Program

Tools for Alliance Builders

- FAQs: Remittances
- GDA Remittances Report
- Learning Stories on Alliances
- Preconditions for Success: An Alliance Checklist
- Leveraging Guidelines for APS
- A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances Into USAID Strategic Planning
- Development Credit Authority and Alliances

2. ENGAGING PARTNERS

The process for determining alliance partners is shaped by the desired development impact and the universe of stakeholders that influence the outcome of that impact. A result of this analysis is that all stakeholders defined by the development issue become potential partners, and all potential partners should be a part of the discussion for as long as they remain interested in joining the alliance.

Partners can be as diverse as the alliances themselves, including NGOs, foundations, universities, associations, small and large businesses, multilateral or bilateral donors and government entities. They may be located in the U.S., the host country or a third country.

NGOs and non-profits represent a familiar community to USAID, while the private sector may be new territory for USAID officers. Early steps for engaging private sector partners might include determining the organizations that make the largest investment in the sector or region, speaking at Chambers of Commerce or industry events, meeting with trade associations, hosting a forum for potential private sector partners, or conferring with Embassy Commercial Attaches or Ministries of Commerce.

For an introduction to analyzing possibilities for identifying a private sector resource partner, see Thinking Strategically About Alliances: Identifying a Private Sector Resource Partner.

Targeting Potential Partners

Trade and Member Associations
Associations serve as an industry focal point and often represent key organizations within a particular industry. They may provide one of the best networking opportunities, as they work closely within and across industry stakeholders to advance the common, collective interests of member organizations. Associations can assist with contacting member companies, often produce directories indexing member and industry organizations, and can serve as a conduit for alliance ideas with member contacts. Often, they are excellent candidates for alliances themselves.

Associations may be most simply located through an Internet search. For example, the search string: "Association, Fruit Producers, Latin America," pulls several listings as well as news articles that cross reference U.S.-based associations, such as the National Fruit Producers' Association. U.S.-based associations are likely resources for identifying international groups, as they commonly interface on international issues such as commerce and trade.

Also helpful may be the membership link on the web site of an association or industry group. Such sites often provide member listings that link directly to the member company. For example, the International Chamber of Commerce offers a hyperlinked list of member international businesses.

Engaging For-profit Companies
Where the regional or local branches of multinational corporations exercise a degree of autonomy over corporate social responsibility (CSR) and investment funds, it is appropriate for bureau and mission-level personnel to interact with these offices as part of the process of engaging partners. However, field personnel may manage and implement programs while

key decisions require headquarters' approval. In these cases, the GDA Secretariat can assist in contacting headquarters offices.

Field officers should also be aware of coordinating communication with private sector players, particularly those with highly visible corporate social responsibility programs, such as Microsoft, HP or Coca-Cola. If negotiations with a well-known firm mature, the Secretariat may be able to report whether an alliance with the organization exists, reference other USAID staff that have worked with the organization and can provide background, or advance contact with the organization directly.

At the mission level, engaging the host country private sector can be the most difficult aspect of alliance building, but also most rewarding in terms of activity sustainability and impact. In many areas where USAID works, the private sector is the subject of USAID assistance and it may seem contradictory to look there for resources. However, engaging and negotiating with host country partners can facilitate new business linkages and identify new opportunities for small and medium enterprise (SME) development.

One method currently used by missions is to conduct a public-private business forum. The Zambia mission used the occasion of a new country strategic plan to kick-start the alliance building process, while in Armenia the event was situated in the context of their Annual Program Statement calling for proposed alliances. In Macedonia, a public-private business forum focused on issues related to competitiveness and European Union accession, which include provisions favoring business involvement in corporate social responsibility.

While it is too early to report fully formed alliances from this form of outreach, initial success in sparking interest and discussion among host country public and private sector entities suggests it can be an effective tool in cultivating local private sector partners.

Whether at the mission level or in Washington, when engaging partners new to USAID, it is helpful to provide briefing materials on the country development programs and on various aspects of USAID operations to expedite learning, promote understanding and trust, and encourage transparency. A short document summarizing key points of interest to corporate executives about the Agency has been prepared for this purpose. See the Introduction to USAID for the Private Sector.

Engaging Resource Partners and Limits on Fundraising

When seeking partners who are likely to bring additional resources into a prospective USAID alliance, USAID officers need to be aware of legal considerations that may apply. See GC's Guidance Memorandum on Solicitations.

Using Solicitations to Identify Potential Partners

Increasingly, USAID operating units have used formal solicitations to elicit interest in participating with USAID in an alliance. These can take a variety of approaches.

One approach, developed and used by the GDA Secretariat, is to issue a request for applications (RFA) or annual program statement (APS) to solicit proposals exclusively for public-private alliances. Under this approach, the minimum acceptable leveraging requirements are clearly defined (originally 1:1 though requirements can and have been set higher in many cases), but respondents are allowed considerable discretion in the technical proposal. Indeed, following the model of the GDA FY 2003 APS, respondents were invited to submit proposals across a broad range of USAID's development sectors. Other such solicitations have limited the respondents to proposals designed to contribute to a stated strategic objective.

Field missions have also used this approach. Two recent examples are:

- *USAID/Armenia Public Private Alliances* (Closing date: 31 December 2004, APS GDA-111-04-004)
- USAID/Philippines' *Public-Private Alliances in USAID Education Strategic Objective: Increased Access to Quality Education and Livelihood Skills in Selected Areas* (Closing date: 30 March 2004, 492-GDA-04-001).

Another approach is to issue a solicitation that is not limited to alliances but clearly states that the alliance model is to be considered and will be given preference in the evaluation of proposals. Some examples include:

- PEPFAR: *APS To Provide Support to Orphans and Vulnerable Children Affected With HIV* (Closing date: 5 Jan or 31 Dec 2004, APS-M-OP-04-189)
- Ukraine, Belarus and Moldova: *Mitigating the Impact of Those Affected by HIV/AIDS* (Closing date: 30 Oct 2004, APS 121-04-002)
- Nigeria: *Enabling Environment* (Closing date: 27 Feb 2004, RFA 620-04-003)
- USAID Washington: *Implementation and Extension of Wheelchair Services For Civilian Victims of War and Other People With Disabilities* (Closing date: 31 January 2005; M-OP-DCHA-DOFDA-03-1344)
- Angola Mission: *Enhanced Household Food Security in Targeted Communities* (Open until 30 Sep 2005; APS-690-04-0014).

In the above cases, bonus points may be awarded for those proposals that bring in leveraged resources from a private sector partner. For a fuller treatment of this topic, please see GDA Language in Solicitations and Sample Solicitation Alliance Language: Mali.

Early involvement of a contracting officer is encouraged when considering this approach to engaging alliance partners.

Finding a Good Fit

Because differences exist between public and private institutions - in organizational culture, focus, and practice – these differences can be expected to manifest themselves in public-private alliances. If an alliance draws upon these differences as a form of comparative advantage that is multiplied by joint planning and action, then it can be successful. If, however, the differences lead to repeated disjuncts that impede implementation of the activity and possibly lead to embarrassment and criticism by both parties, it may become evident that, in a particular situation, the public and private sector spheres of activity should remain separate. Alliances are not always appropriate or even feasible for any given development problem.

When evaluating further differences between public and private organizations, consider the following:

- *Accountability*

A business is answerable to shareholders for financial gains or losses. If its programs do not produce time-certain results or products are late, organizational and personal financial resources are at stake. For partners, this may result in increased pressures for results, which may influence the style of correspondence, meetings, decision-making, timing, program management or results reporting.

- *Decision-Making*

A company's portfolio of activities should, by accountability to shareholders, advance the company's commercial interests — market share, supply chain, regulatory policy, workforce development, research and development, as well as reputation and social responsibility.

- *Culture*

Without the same parameters of government protocol, businesses may perceive bureaucracy or procedural rigidity as obstacles in working with a government agency such as USAID.

It is not only the differences between the two sectors that must be made to work for an alliance; a significant degree of congruence in goals, mission, and strategy must also exist for collaboration to work. Field officers should understand where USAID fits into a company's strategic interests. A firm can propose collaboration in order to further its core business interests in order to generate increased profits, or as a reputational gain through its CSR regime. Field officers must be cognizant of the business perspective and stake in the activity.

James Austin of Harvard Business School suggests developing a *partnership purpose and fit statement* as a joint planning exercise[5]. Questions that might generate a purpose and fit statement include:

- What are you trying to accomplish through the collaboration?
- Where does your mission overlap with the potential partner's mission?
- Do you and your potential partner share an interest in a common group of people?
- Do your needs match up with your partner's capabilities, and vice versa?
- Would the collaboration contribute significantly to your overall strategy?
- Are your values compatible with your prospective partner's?

It is important to note the overlap between the above questions and the questions that should be asked when identifying and assessing a potential partner. Further, it is necessary to review the due diligence process that follows as the relationship matures.

Checking Each Other Out

Due diligence is a risk-mitigation exercise to reduce opportunity for poor business practice to reflect upon an organization's partners. As discussions with potential partners mature, alliance builders should assess an organization's past performance, reputation, commitment to relevant standards and protocols, and future plans.

In addition to focusing upon business performance in its core service, due diligence also investigates a business partner's commitment to the triple bottom line of profit, environmental accountability, and social responsibility. Demonstrated commitment to the triple bottom line, as well as to various human rights standards and protocols, signals a readiness and ability to work with public sector partners such as USAID.

When conducting a due diligence investigation, remember that it is not feasible to be exhaustive. For small alliances particularly, too much due diligence can kill the transaction. Due diligence should begin as soon as negotiations with partners progress beyond the

[5] *The Collaboration Challenge: How Nonprofits and Businesses Succeed Through Strategic Alliances*. Austin, James. Jossey-Bass Publishers, San Francisco, CA.

'getting to know you' stage, and continue on an ongoing basis for as long as the relationship exists. For example, USAID/Madagascar found that it needed to assess the ethical and due diligence of partnering with a mining firm largely owned by a multinational mining company. In this case, the mission found that they needed to undertake an extensive and comprehensive due diligence investigation for the partnering process. See the Due Diligence Guide and FAQs: Mitigating Reputation Risk.

To initiate the due diligence process, USAID staff can begin their search in-house. The GDA Secretariat subscribes to a database service through Calvert Social Research (www.calvertsocialresearch.com) that tracks the social responsibility records of thousands of organizations. Contact the GDA Secretariat at 202-712-4418 for assistance. In addition to the Due Diligence Guide, the GDA FAQ's (see *Tools* for next section) contains content on mitigating reputation risk.

The World Bank's Business Partnerships and Outreach Group has developed ethics criteria for businesses through the United Nations Global Compact's Nine Principles http://www.un.org.tr/undp/docs/gc/9principles.htm.

To see if the firm endorses the Global Sullivan Principles of corporate social responsibility, see http://globalsullivanprinciples.org/.

The U.S. State Department has developed Voluntary Principles on Security and Human Rights for extractive companies in the developing world. Business for Social Responsibility (BSR) maintains a secretariat to manage the process of integrating and implementing the principles into corporate governance and behavior.

Getting Help

The GDA Secretariat serves as the Agency's technical office for public-private alliances by coordinating outreach to partners and providing technical assistance to operating units. Strategic alliances can be worldwide and involve dozens of strategic partners. They can also be highly focused and involve only a single country, activity or pair of parties to the alliance. Accordingly, different types of technical assistance may be needed at different Agency levels[6].

Through its concentration of work on alliances and CSR, the Secretariat has met and networked with hundreds of organizations, from private sector companies to foundations. The Secretariat may be a direct help in finding or contacting a potential partner.

As mentioned above, the Secretariat subscribes to a commercial database that can search a company based on its social contributions, legal filings and public records, ethics standing and performance. Once a partner is identified and alliance talks are underway, the GDA Secretariat strongly recommends that a search be conducted from this database as part of the due diligence work that should accompany alliance building.

While the Secretariat plays a central coordinating, outreach, and support role, bureau and mission officers can look to the Secretariat for assistance in their own alliance building efforts. Please contact the GDA Secretariat with ongoing questions as well as inquiries

[6] In FY04, the Secretariat is deploying regional alliance builders in WARP, REDSO, RCSA, and the Caribbean to serve as GDA 'champions' and provide ongoing technical assistance and coordination support for alliance activities.

regarding available technical assistance and requests for searches of the due diligence database.

See the Alliance Resource List for a list of resources on non-USAID experience with and approaches to public-private alliances and corporate social responsibility.

Tools

- Thinking Strategically about Alliances: Identifying a Private Sector Resource Partner
- Introduction to USAID for the Private Sector
- Guidance Memorandum on Solicitations
- GDA 2003 APS
- GDA Language in Solicitations
- Sample Solicitation Alliance Language: Mali
- Due Diligence Guide
- FAQs: Mitigating Reputation Risk
- Alliance Resource List

3. CONSTRUCTING AN ALLIANCE

Convening Partners
The first meeting of prospective alliance members is exploratory; generally, the partner that is initiating the alliance will take this step. The goal is to build trust and commitment. When contemplating an initial meeting of potential partners, consider the following:

- *Who convenes?* It is important to identify an individual or organization that is well regarded by all parties. The convening individual or group needs to have credibility with all prospective alliance members.

- *Who attends?* It is also important that those with appropriate organizational responsibility and position attend the meetings. Oftentimes, such meetings require attendees possessing clear authority to speak on behalf of their organizations.

- *Where?* The actual meeting location must also be considered. For an initial few meetings, it may be best to identify neutral ground. This prevents the meeting from being perceived as under one organization's control. Some circumstances may require that participation by one of more members be by teleconference or electronic conferencing. The technology for electronic conferencing is readily available.

- *Who moderates?* The convener often fills this role. If choosing a moderator for the initial meetings, find a facilitator who allows alliance members to raise issues without getting bogged down in unproductive discussions.

- *What is discussed?* An agenda for the first meeting might simply focus upon two things: personal and organizational introductions and a sharing of viewpoints about the common cause or issue that has brought the alliance together. If the organizations have not had a history of interaction, the meeting might appropriately end with only a summary of viewpoints written for distribution.

If the meeting members already know each other, they might move directly to determining their collective vision of the problem and its solution.

Setting Direction
Alliances often encourage looking at old problems in new ways, bringing energy and creativity along with shared solutions. This happens most easily if the alliance members begin with a shared understanding about the nature of the problem and ideas about possible solutions. Steps you might take together include:

- Defining the Problem

Successful problem definition involves identifying a meaningful junction of the interests and needs of alliance members. Bringing representatives of all interested parties to the table is highly desirable.

Equally desirable is for the alliance members to seek out and bring to the discussion the positions and strengths of those who might oppose the work of the alliance so that issues can be addressed. Some questions to answer are:

- What is the nature of the problem that this alliance might solve?
- Why is it advantageous to organize an alliance to solve it?
- How are the stakeholders affected by the problem?

- Brainstorming Solutions

Noting the importance of having the beneficiaries' support, describe each member's stake in the problem and identify solutions to it (without getting bogged down in tasks, resources, personalities and histories). This is the time to clarify the vision of the alliance, its goal and strategic objectives, and establish a climate of hope and a willingness to work together. Some questions to answer are: To what extent are resources from different alliance members required? What skills, human and/or material resources does each member have that could help solve the problem? Is there another organization that should be brought into the alliance?

- Identifying Local Allies

For mission-level alliances in particular, there are often local organizations already active in solving the problem. They may already be working in partnership with other public or private entities. In the public sector, different agencies at various levels of local government often collaborate to address a particular issue, based upon their mandate, interests and resources. In business, joint ventures, trade associations, and federations are common. And in civil society, NGO coalitions are often formed around common issues or relationships to more effectively utilize resources. Some questions to answer: What are the local organizations active in solving the problem (and who are the key actors in the organizations)? Among these, are there organizations with the capacity to become donor members of the alliance? Are there organizations with the capacity to become implementing partners?

<u>Advancing the Alliance</u>

In subsequent meetings the prospective alliance partners can further develop goals and objectives. Key questions to consider are:

- *How should actions be implemented?* Open lines of communication are vital, as are clearly defined planning rules (e.g., something akin to the logical framework which helps the alliance set lower order outcomes and outputs, and roughly identify inputs and cost estimates). The implementation of major action plans may involve recruiting new alliance members (or implementing partners) that may not have been part of earlier problem-solving discussions.

- *How will resource allocation take place?* Each member has distinct financial, human resource and technological capabilities. This issue often becomes a sticking point during the implementation process. Alliance members need to discuss resources continuously—i.e., who's providing what and when—in order to ensure that the issue remains well understood from the outset.

- *How can alliance members implement detailed plans in ways that respect their particular interests?* Action planning may bring out further points of difference between the alliance members. It is important to respect these differences at all times. Differences exist in every alliance and accommodating them is a necessary component of successful alliances.

Examples of Joint Planning

One clear lesson learned from alliance experience to date is that private partners like to be involved from the ground up and, when they are, both the alliance design and level of partner commitment are strengthened. Ideally, this involvement begins with defining what development problem the proposed alliance aims to address.

There is no formula for a successful joint planning process. Joint planning can take place on-site or off; it can involve all partners or only key partners; it can start with only the vaguest notion of what could be done, or with a well-articulated proposal developed by one or more potential partners. It can follow a systematic, structured process or evolve in a more ad hoc fashion. The crucial ingredients are a willingness to consider a range of ideas, a clear-eyed view of each partner's objectives, an ability to identify where there could be areas of overlapping interest, and time to allow for problem solving by and among partners as the process proceeds.

Two years of alliance building has yielded good examples of joint planning, such as:

- Ghana Food Industry Development Alliance. Extensive discussion with USAID mission staff and contractors led food retailer Royal Ahold to shift from general CSR interest (such as financing a hospital or similar 'one-off' investment) to working in alliance with USAID to improve the quality of Ghana's fruit and vegetable exports.

- West Africa Sustainable Tree Crop Program. This alliance originated from the cocoa industry's commitment to expand environmentally sustainable cocoa production. However, as a result of USAID and International Labor Foundation engagement in alliance planning, the alliance broadened to embrace the larger social concern for raising cocoa farmer incomes and reducing child labor. Planning for the alliance followed a step-wise process, beginning with a workshop bringing together researchers from industry, academia, and the international research community in which they developed a broad programmatic framework of research and farmer training interventions, then convened a follow-up conference which enlisted governments and donors as stakeholders. This approach represents a very deliberate and structured planning process of bringing in partners in successive stages – first to develop and then operationalize a program strategy.

- Papua Bird's Head Alliance. USAID shares planning with BP, the primary resource partner, with limited involvement from implementing partners. After USAID and BP developed a framework for collaboration, meetings with all partners focused on operationalizing the alliance.

- Sustainable Forest Products Global Alliance. USAID used the occasion of a Forest Leadership Forum to shop an alliance concept among 1,300 industry leaders in forest products. USAID not only developed the concept further through consultation, but also cultivated potential partners.

Organizational Conflict of Interest

Planning collaboratively with alliance partners, one or more of who may well become USAID's implementing partners or otherwise receive USAID funds, requires careful attention to organizational conflict of interest (OCI). The Supplementary Reference to ADS 201 and 202, *Legal and Policy Considerations When Involving Partners and Customers On Strategic Objective Teams and Other Consultations*, discusses what constitutes OCI and what restrictions must be placed on partners to avoid it. In brief, OCI restrictions do not apply when outside organizations participate in:

1. Discussions regarding concepts, ideas or strategies, i.e., the stage prior to identifying possible implementation instruments
2. Discussions regarding ongoing and completed activities (whether under contracts or assistance instruments)
3. Matters involving only assistance (not contract) instruments, both during the competition stage and once the activity is in progress

When discussion on activity design shifts to selection of the proper implementation instrument, USAID officers must also consider programming, procurement, financial considerations, and agreement documentation, as discussed below. Refer to the Legal FAQs, specifically Legal FAQ #3, as well as the Procurement FAQs.

MOUs and Their Roles

Public and private partners engaging in long-term planning and/or considering a type of collaboration under which each will be responsible for bringing their own resources to the alliance may wish to formalize agreement through a Memorandum of Understanding (MOU) or Letter of Intent, legally non-binding, non-obligating agreements.

An MOU describes the intentions of the alliance members to proceed with a given course of action. An MOU may be used to publicly formalize the commitment of partners to develop an alliance, or finalize and document the results of joint planning, in essence - codifying the undertakings of all parties to the alliance to achieve the stated objectives.

MOUs vary greatly in degree of specificity, and no standard format exists (see FAQ's: Legal #6). The ANE Bureau frequently uses MOUs as an implementation planning document, and has worked closely with the GC's Office to construct a checklist. The following elements which are part of that checklist should be considered as common to most or all MOUs that are used in this way:

Partner organization details The name of each alliance partner, the contact person with contact details, and a brief description of the organization.

Goal and objectives: A description of the problem the alliance was formed to solve and why the alliance is a good way to address the problem; what the alliance's goal is in solving the problem; and, what the alliance strategies are for reaching the goal.

Operating principles: Alliance members must have a general understanding of how the alliance will manage its program. This includes:

- A description of any special administrative structure required by the alliance (including anticipated working groups and committees)
- How decisions will be made
- How conflict will be resolved
- How the agreement can be renewed, modified or terminated
- The end date for the agreement

Roles and Responsibilities of alliance members: Describes what each member gives to and gets from the alliance; provides a preliminary view of the resources that each member will commit — core resources, program and/or project resources (financial and non-financial); and, sets out the alliance's implementation timeline.

Accountability: Notes how the program performance of the alliance is expected to be measured, whether an independent audit of the alliance's financial arrangements will be undertaken, and how adjustments will be made to the alliance.

Disclaimer: While all MOU's properly carry some sort of disclaimer, USAID General Counsel has issued the following as recommended: "The purpose of this MOU is to set forth the understandings and intentions of the Parties with regard to these shared goals. The Parties are entering into this MOU while wishing to maintain their own separate and unique missions and mandates, and their own accountabilities. Nothing in this MOU shall be construed as superseding or interfering in any way with other agreements or contracts entered into between two or more of the parties, either prior to or subsequent to the signing of the MOU. The Parties further specifically acknowledge that this MOU is not an obligation of funds, nor does it constitute a legally binding commitment by any party." See ANE's Webcast PowerPoint on MOUs in this section's *Tools*.

In addition to setting out the operational framework for the alliance, an agreement of this nature can be an important document because it conveys the objectives and intent of the alliance and may be used to explain the alliance to others and potentially leverage increased resources.

Because MOUs can characterize the agreement of partners at different stages of their collaboration, the content and scope of MOU's may vary accordingly. For instance, a $20 million partnership between Shell Oil[7] and USAID/Nigeria preceded activity design. Therefore, the MOU was essentially an 'agreement to agree' whose purpose was to provide "a framework within which specific projects may be jointly developed and implemented in Niger Delta communities".

The MOU further stated that subsequent activities would be documented by addendums; upon activity design three months later, an addendum was issued announcing the intention "to enhance economic opportunities in selected states in Nigeria by focusing on cassava production and processing capacity".

A $20 million partnership with ChevronTexaco in Angola, by comparison, was documented in an MOU that followed detailed negotiations and consensus over planned activities. These activities followed activity design but preceded implementation, thus allowing for programmatic refinement in response to local conditions.

In considering and negotiating MOUs and similar agreements, there will of course be a need to prepare documents that meet the needs of a specific alliance. GC or RLA assistance should be sought as early in the alliance building process as possible in negotiating and drafting the MOU or similar document. While an MOU itself is not an obligating document, it may contemplate or accompany a future grant or contract award by USAID. If this is the case, M/OP or Regional Contracting Officer (RCO) assistance should be sought with respect to the choice of instrument and the procedures to be followed.

See the ANE Bureau's Webcast on MOUs, drafted with GC.

Working With USAID Procurement Requirements

Because MOUs do not obligate USAID funds, USAID procurement instruments must still be used where USAID funding is required to carry out alliance activities. While public-private

[7] Specifically, the Shell Petroleum Development Company of Nigeria Limited (SPDC)

alliances may differ in some ways from traditional USAID procurements and implementation, the principles of competition, fairness, and transparency in procuring goods and services from implementation partners apply equally to both. In most situations, procurement instruments traditionally used by USAID can be used to support an alliance. In other cases, the conventional form of contract, grant or cooperative agreement may not be appropriate. As always, the appropriate operating unit should work closely with legal counsel and procurement staff early on in planning and working out alliance details.

An important consideration in deciding on the type of procurement instrument best suited to alliance implementation is the nature of the relationship that USAID wishes to have with the alliance partners, especially those to which USAID is providing funding. Typically, cooperative agreements are used to support a program where oversight is limited but joint planning and collaboration are important, and are thus well suited to partnership models such as public-private alliances.

The following scenarios illustrate ways in which procurement instruments may be used in alliance building. There are, of course, many possible variations on these. The FAQs: Procurement should be studied alongside this section.

RFA and Award Following USAID Agreement With Alliance Resource Partner
In the course of developing a new strategic plan, or a new activity under an established strategic plan, USAID and one or more resource partners decide to join forces to pursue common objectives. The partners may, but are not required to, negotiate their collaboration and define their alliance in a formal but non-binding MOU identifying objectives, proposed resources, roles and responsibilities, and governance mechanisms among other points. Note that in this case the MOU precedes procurement of specific activities under standard obligating instruments.

Assuming that implementation decisions include award of one or more cooperative agreement by USAID, the appropriate operating unit will then prepare a Program Description and other pre-obligation documentation and work with the responsible Agreement Officer to issue and process a Request for Application (RFA). The agreement between resource partners may then be adjusted by subsequent MOUs as the alliance matures to encompass activity design, reflective of additional understandings and possibly with a longer time frame than the cooperative agreement resulting from the RFA.

While cooperative agreements may be the most suitable existing procurement instrument by which to implement alliance activity, nothing prevents implementation through a contractual mechanism. However, given the joint decision-making and resource- and risk-sharing nature of public-private alliances, cooperative agreements fit the model well. USAID is currently exploring the possibility of developing obligating instruments specifically tailored to the unique nature of public-private alliances. Contact the GDA Secretariat if you are interested in learning more about this work.

APS or RFA Issued By USAID to Identify Potential Alliance Partners
This approach to initiating public-private alliances is to issue solicitations requesting applicants to submit alliance proposals that meet stated development objectives. The GDA Secretariat issued an Annual Program Statement (APS) for FY03, and a broadly worded RFA for FY04. USAID/Armenia issued an APS to engage local partners for FY04. USAID/Mali issued broadly worded solicitation language in their RFAs and RFPs to attract alliances in all its sectors of operation.

Under this approach, implementation partners bring in resource partners, ideally after conducting due diligence (and in some cases after executing MOUs among themselves)[8]. The winning applicant is then awarded a cooperative agreement or other instrument. Following the award to the implementing partner, it might also be appropriate for the most relevant USAID operating unit and resource partners to prepare a formal MOU between them.

The advantage of an APS or other open solicitation instrument is that the burden of identifying resource partners and negotiating an initial alliance agreement falls on the applicant. The disadvantage is that some of the functions of the alliance convener may shift to an alliance partner, which can place resource partners at arm's length from USAID and negatively affect buy-in and commitment.

A further consideration is that a large number of programmatic decisions will already have been made by USAID before a winning partnership is selected. This may mean that USAID's ability to listen and respond to a partner's needs and core business interests by negotiating and adjusting objectives is limited. There is also the possibility that the bidding competition may turn into a contest for dollars leveraged rather than for quality of program offered, which may adversely affect development impact.

Modification or Follow-on of Existing Award

In many cases, existing activities have evolved into fully leveraged alliances by modifying the obligating instrument or adding a follow-on agreement in order to accommodate new resource partners.

The new resource partners might deliver their contributions directly through parallel financing, or channel resources through established implementing partners. The latter approach uses ADS Chapter 303 Procedures and Standard Provisions. The business and programmatic risks are therefore equivalent to the risks normally encountered in obligating agreements and the process by which they are awarded.

In the event of outside contribution, the funding partner and recipient would independently negotiate an agreement that, if needed, could then be incorporated into the USAID obligating instrument via modification. Monies or other in-kind resources received from the partner would then be reflected as cost share, and managed according to the provisions of 22 CFR 226.

USAID's General Counsel advises that USAID officials may seek contributions from individuals, corporations and foundations for USAID projects and activities, or for the projects and activities of other organizations. See Guidance Memorandum on Solicitations. However, a number of conditions need to be met in order to avoid potential conflict of interest problems. GC has prepared guidance that outlines procedures for officers who may wish to undertake solicitations for contributions to USAID's or other organizations' projects and activities. Note that these procedures do not apply to donor coordination efforts or requests for cost-share contributions, and in general do not apply to instances in which USAID does not initiate the fundraising activity. Agency guidance regarding receipt of donated funds can be found in ADS Chapter 628, *Gifts and Donations and Dollar Trust Fund Management*. See also the FAQs: Gifts and Donations.

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[8] Though not as common, it is also possible for resource partners to respond by enlisting implementing partners as solicitors.

If USAID officers actively solicit outside contributions towards an implementing organization's cost share requirement, there are some important issues to consider:

- potential resource/funding partners must be committed to the alliance
- the potential recipient organization must have already agreed to participate
- the alliance activity should be aligned with the existing program scope
- potential funding partners must demonstrate strategic congruence with USAID

Unsolicited Proposals

Unsolicited proposals for alliances should be managed under normal procedures, as articulated in ADS 303.5: "Awards may be made … without the benefit of competition where the application clearly demonstrates a unique, innovative, or proprietary capability, represents appropriate use of USAID funds to support or stimulate a public purpose, and fits within an existing strategic objective. To qualify as an unsolicited application, it must be submitted to USAID solely on the applicant's initiative without prior formal or informal solicitation from USAID." An exception may not be needed if the proposal falls within the scope of an APS or a posting in the Catalog of Federal Domestic Assistance (CFDA). USAID posts information on current programs, and on new programs as they arise, in the CFDA, a web-based database of all Federal programs available to U.S. non-governmental organizations, individuals, educational institutions, and state and local governments.

Grants to For-profit Partners

Unless USAID is pooling resources in an effort to capitalize a fund, most grants are cost reimbursement grants allowing for periodic advances rather than immediate disbursement of the total grant amount once the grant is signed. In some instances, alliances need immediate start-up capital to proceed. See Financial Arrangements below.

Advance payments are usually reserved for non-profits but may be made available to for-profit entities on a limited basis. For-profits will be granted advance payments only if they meet one of the following criteria: delivery and/or performance requires the contractors and/or recipients to have large amounts of working capital; they do not possess such amounts; the for-profit is providing advances to grantees; and rare exceptional cases[9].

If a for-profit decides after a grant agreement is already settled that advance payments are necessary, an agreement modification must be performed. This process can take up to 45 days, and even then there is no certainty of issuance.

Public Notice

As discussed, requirements for providing public notice of pending procurements can be met by issuing an Annual Program Statement (APS) or other open solicitation. This provides blanket coverage for the public notice requirement, while allowing potential partners room to generate concepts on their own timeline.

Exceptions to Competition

Alliance builders are encouraged to use the exceptions to competition to the extent they are necessary to facilitate the formation of an alliance. If deviations or exceptions are required, established procedures must be followed, per ADS 303.5.d. Relevant exceptions include amendment and follow-on and predominant or exclusive capability. In all instances, any

[9] For non-profits, if an advance is allowed, funds may only be made available for 30-day periods. A grantee may receive multiple 30-day advances but must liquidate all funds, as there are penalties and interest that apply when USG monies are held. See Payment Structures: Lessons from Building Alliances for an extended treatment of this issue.

envisioned non-competitive approach should be coordinated with the Agreement Officer early in the planning phase.

Financial Arrangements

The funding arrangements for an alliance can be placed into two categories: a) parallel financing and b) pooled resources.

Parallel Financing
Under this approach, each partner establishes its own mechanism to provide resources - in cash or in kind - to support the alliance's work. Funds are tracked separately. The parallel financing approach makes up the majority of the Agency's alliances.

USAID will generally award a grant or cooperative agreement to an implementing partner, although there are situations where issuing a Task Order under an Indefinite Quantity Contract may be expeditious and appropriate. A corporate resource partner, in addition to awarding an implementation contract or grant to a third party, has the option of providing resources in kind directly, through its internal structure. This option has been followed by partners in a number of the education alliances, to provide computer hardware as well as software licenses.

Pooled Financing
Where alliances include major international donors and foundations operating on a global scale, pooled resource funding has most commonly been used. Pooled resource alliances can be arranged in several different ways, and include the following:

a) Collaboration with a Public International Organization (PIO), such as UNICEF, WHO, or the World Bank, to manage a multi-donor program initiative. Typically this approach has involved only donor government funding, but could include private contributions as well. In this case, the alliance is essentially a financing mechanism for a special PIO program, rather than an independent collaborative effort that relies on a PIO's financial and administrative services. Under this approach, USAID's grant is made to the PIO following ADS Chapter 308 direction. Deviations may need to be approved, depending on the details of the individual alliance.

Global Alliance to Improve Nutrition (GAIN)

GAIN, an example of a pooled resources alliance, seeks to improve health through the elimination of vitamin and mineral deficiencies. GAIN administers grants to developing countries in support of food fortification and other sustainable micronutrient interventions in order to save lives and improve health. Partners include USAID, The Bill & Melinda Gates Foundation, CIDA, The World Bank, UNICEF, WHO, private food companies, and other NGOs/PVOs. The World Bank received a PIO grant and acts as fiduciary agent over the pooled funds.

b) Collaboration with a PIO or established financial institution to manage the alliance's resources as a trustee or fiduciary agent.

c) Formation of a new legal entity, such as a U.S. NGO that secures 501(c)(3) status under the Internal Revenue Code to facilitate tax-advantaged private contributions.

For options b and c, USAID support typically takes the form of a grant to the NGO established by the alliance, or to the PIO or financial institution that serves as trustee for the alliance's resources. When managed by a PIO, USAID grant funds may be commingled with the funds of other contributors and managed collectively.

USAID will use a tailor-made and generally streamlined form of grant agreement that requires an approved exception to the general requirement of competition, as well as deviations under ADS Chapters 303 and 308.

In making a decision among these options, bear in mind that, in addition to the grant agreement, substantial effort may be required in negotiating the alliance's corporate charter, by-laws, trust agreement, operating procedures and other documents necessary to establish its governance structure. In complex, multi-partner, multi-country alliances a Board of Directors and a supporting technical expert committee and/or secretariat may be called for. Or the alliance members may agree to operate as an informal partnership to direct the policies and programs of the alliance. See the Managing an Alliance section for a fuller discussion on governance.

d) Private Gifts and Donations. Yet another possible pooled resource approach is a jointly funded USAID grant, cooperative agreement or contract that accommodates donations to USAID following the procedures set forth in ADS 628. (Note that contributions to the U.S. Government by individuals and corporations are considered to be tax-deductible charitable contributions under Section 170 of the Internal Revenue Code.) Under this approach, USAID serves as trustee for the management of contributions by other alliance members. This topic is also discussed above in Working with Procurement Requirements.

In its simplest form, this approach might involve the donation by a single company to USAID to increase the funding for an already-awarded assistance instrument. USAID and alliance members also could use this approach to jointly design and fund a new grant, cooperative agreement or contract to implement the alliance activity.

This approach is atypical in that the alliance triggers USAID gift authority, and the resources pooled are absorbed by USAID and are recorded centrally and allotted to the relevant operating unit without commensurate loss of budget by that unit. To date, an alliance in Angola between USAID, ChevronTexaco, and other partners is the only example of an alliance following this approach. While this method is not common, RLA offices and financial management staff can provide advice on this mechanism as needed.

Under certain circumstances specified in ADS 628, USAID can agree to conditions imposed by a donor on their gift. It is up to the official with authority to accept the gift to determine whether the conditions can be agreed to given the type of conditions, administrative burden, donor, size of donation, and other considerations. Conditions regarding memberships on Boards of Directors of private entities raise special considerations and should be reviewed with extreme care. See FAQs on Gifts & Donations for more on this topic.

Endowments

USAID, has in the past, been able to award endowment grants. However, as result of the 2003 and 2004 Foreign Operations, Export Financing and Related Programs Appropriations Acts, P.L.s 108-7 and 108-199, respectively, do not include authority for USAID to make endowments with funds appropriated under these acts. See FAQ's: Legal #5 for more information. This authority had been included in prior year legislation, and to the extent that such funds remain available for obligation they are legally unaffected by this change in the law. However, there are political concerns that should be addressed with LPA before going forward using prior year funds because of Congressional reticence to what is perceived as a loosening of control over USG funds. The case of the Balkan Trust for Democracy (see textbox) is one example of an endowment. In such cases, grants have been made to NGOs to capitalize a fund for NGO long-term activities consistent with the alliance purpose. USAID funds become pooled in the sense that they are consolidated in the grantee's endowment fund. However, policy requires that USAID grant funds must still be accounted for separately.

Balkan Trust for Democracy

The Balkan Trust for Democracy, an alliance between USAID, the German Marshall Fund, Charles Stewart Mott Foundation and others, established a diminishing endowment to finance grants for democracy activities in the region over a ten-year period. The institutional commitment of the key partners to strengthening local democracy sustained their interest during a time-consuming period of consultation, competition, and negotiation under keen U.S. Congressional scrutiny.

Grant proposals are reviewed by a committee composed of GMF staff and officials from selected partner institutions and grant decisions are made monthly. The endowment is managed from GMF headquarters in Washington, DC, with the Board of Directors providing official oversight. While this alliance is considered a pooled financing approach due to the presence of other donors in the endowment, regulations specify that oversight of funds is still required. Two USAID representatives sit as nonvoting board members and exercise grant management as well as programmatic oversight over USAID's EUR 10 million contribution.

Other Statutory and Policy Requirements

USAID statutory and policy requirements apply to all USAID-funded and managed programs. For example, recently questions were raised regarding the applicability of USAID's environmental requirements. See FAQs: Environmental Procedures for further discussion.

Tools

- FAQs: Legal
- Webcast Training: ANE PowerPoint on MOUs
- FAQs: Procurement
- FAQs: Gifts & Donations
- Payment Structures: Lessons from Building Alliances
- FAQs: Environmental Procedures

4. MANAGING AN ALLIANCE

Each activity is managed by the operating unit responsible for achieving the development objectives of the particular activity. This could be a field mission or an office within one of the regional or technical bureaus with operational responsibilities. The GDA Secretariat does not directly manage alliances, but does provide limited oversight and support. In all cases, attention must be paid to governance, monitoring and evaluation, and reporting.

Governance Structures

Management of an alliance will be greatly facilitated when the basic governance structure established by the MOU and/or procurement instrument is clearly defined. It can be assumed that the partners have achieved a high level of trust and have a shared commitment to achieving results. They can maintain openness and accountability to one another by establishing clear agreements on governance procedures. At a minimum, it is desirable to address the following areas:

- Specific roles and responsibilities of alliance partners as well as of their relevant supporting units (e.g., AID/W and State or other USG departments, if appropriate)

- Key elements of governance, such as, frequency of meetings, decision-making processes, participants, need for working groups, outreach to stakeholders/beneficiaries, monitoring systems, etc

- How to resolve differences, should these arise

Global Alliance to Improve Nutrition (GAIN)

GAIN is a 501(c)(3) organization with a Secretariat consisting of a Board of Directors, Executive Director, and ad hoc technical committees.

Addressing governance issues in writing, at the outset of an alliance, will prove invaluable as partner personnel rotates during the life of the alliance, or as new partners are brought in. The document created might be equivalent to a Mission Order, though it does not need to be as formal. It should be a living document, to be amplified or modified as the parties gain more experience working together[10]. See FAQs: Legal #5.

Roles and Responsibilities

- Who are the **principal players**? Who is authorized to make decisions, convene meetings, address implementation issues, provide substantive technical information? It is a good idea to provide a formal list of names, contact information, and level of authority to all relevant participants.

- Who has a **supportive role**, and how should they be kept in the loop (and by whom)? Geographic or central USAID bureaus as well as, in some cases, other USG agencies, may be relevant, as well as partner headquarters organizations. Decisions should be made on the mode and frequency of participation in or information on alliance issues.

- Partners should agree on and practice direct **communication** on all aspects of alliance implementation, at executive and working levels. It may be important to

[10] In alliances where the governance structure calls for an advisory committee, provisions of the Federal Advisory Committee Act (FACA), which regulate the operations of such committees, should be reviewed.

inform each other on the relevant internal processes of each partner, and any changes therein. USAID support offices that find themselves communicating regularly with non-USAID partners involved in alliances should recognize their responsibility to inform the USAID partners of such contacts.

Governance Structure and Operations

Clear 'rules of the game' make it easier for alliance partners to focus on their role in implementation. Alliances comprised of many partners, or regional alliances serving as funding sources for sub-alliances or grants (e.g., Balkan Trust for Democracy, Global Alliance for Improved Nutrition, Sustainable Tree Crop (Cocoa) Program) may require the preparation of formal by-laws and the establishment of working committees, while less complex alliances can operate on a more informal basis. Where alliances include a number of corporate partners who may be competitors and used to keeping at arm's length of each other (as in the Philippines Clean Fuels alliance), provisions need to be made to keep essential information flowing smoothly.

Questions that could be addressed include:

- What is the frequency of **meetings** of the principal governing body of the alliance? Are teleconference meetings acceptable?

- Who **convenes** and who **participates** (actively, or with observer status) in meetings? Should there be working committees (if so, what are their specific responsibilities)? Should periodic open meetings be convened for information sharing and gathering purposes with parties relevant to alliance progress (including beneficiaries)?

Sustainable Tree Crops (Cocoa) Program Governance

The STCP governance structure offers a promising model for multi-country programs: it defines clear and distinct responsibilities between the global, regional, and national levels; it provides a voice for all resource partners on the Advisory Board which sets policy direction and approves national plans; and incorporates a means for program clients (farmers' groups) to participate in decision-making at the national level.

- Who is empowered to **make binding decisions**? Will decisions be made by consensus, by vote?

- Who is responsible for the **agenda**, preparing **minutes** and circulating them? Should minutes be signed by the principals?

- In alliances where partners are pooling their funding, what is the process for **making funds available**? The level and timing of funding needs should be discussed, as well as the likely burn rate of the activity.

- How will alliances work with **beneficiaries, host governments, potential new partners**? To what extent will partners inform each other when they have separate contacts with such groups? The Sierra Leone Peace Diamonds Alliance includes miners, dealers, community leaders, and other stakeholders. A voluntary Code of Conduct is one way alliance partners signal commitment to alliance precepts.

- What kind of **public outreach** is relevant, given the host country situation? Should the alliance develop a joint approach? Does each partner prefer to publicize its efforts separately? Should outreach be aimed at informing, garnering public support, satisfying host government concerns? In some countries, and for some alliances, outreach may need to be aimed at preventing misinformation by others.

- How will partners **monitor and report** alliance progress? Is there a limited set of performance indicators, or 'metrics', that all partners are willing to adopt and use, notwithstanding any additional indicators that they may wish to identify and track? Do partners have reporting requirements that the alliance can help them meet?

<u>Resolving Differences</u>
Conflicts among partners in an alliance must be anticipated. In the interest of good governance it is appropriate to address the issue and identify, at a minimum, principles that should be followed in the event of disagreement.

Such principles include: always proceeding with respect for the other party; clarifying underlying issues; identifying options for resolving the disagreement; being inclusive, not exclusive, of stakeholders who might be able to propose solutions; agreeing at the outset on a procedure for resolving the disagreement; and, agreeing on time limits within which the problem should be resolved.

Air Pollution Reduction Alliance

Since the alliance includes such a diverse group of stakeholders representing environmental organizations as well as the private sector, serious disagreements over issues can arise from time to time. The World Bank, an initial donor and supporter, dropped out of the alliance because it had differences with the government of Sri Lanka regarding how to implement the project.

However, while partners acknowledge these differences of opinion and interests, they view the process of working through disagreements as fundamentally important in learning to work together that will prove beneficial in the long run.

Information on resolving differences can be found at http://www.crinfo.org.

Monitoring and Evaluation

Monitoring and evaluation (M&E) for alliances should be guided by ADS Section 203, which applies to alliances just as it does to any other development activity involving USAID program funds. However, M&E in the context of public-private alliances introduces some special considerations that should be taken into account in M&E system design.

First, input-level monitoring has a particular importance in a public-private alliance. Alliances rely on resources leveraged from multiple partners, and in many cases, these will not be documented in a legally binding obligating agreement, as they are for USAID funding for traditional projects. It will be important to build in a system to track the level of resources committed and disbursed to the alliance by each resource partner, whether these are dollars, volunteer hours, or other kinds of in-kind support. This information is needed to provide assurance to all partners that each individual partner is meeting its responsibilities and there is an adequate flow of resources for meeting alliance objectives. See this section's *Tools* for an illustrative reporting format, excerpted from a recent quarterly report on the Sustainable Forest Products Global Alliance (SFPGA).

Second, output-level monitoring is more challenging in an alliance due to the need to separately track activities being carried out by each implementation partner and to develop common measures for similar activities being carried out by different partners to allow for a 'summing up' of the accomplishments of the alliance as a whole. This is being done in the SFPGA by means of a matrix which lists each activity-level output along with the implementation partner responsible for its accomplishment, and across the top are arrayed the performance measures used for each.

Where an alliance is operating through parallel financing arrangements, it may be possible to do output-level monitoring for each separate funding instrument, although it will be important to coordinate the selection of performance measures across all the funding instruments so that the outputs of individual grants or cooperative agreements can be added together to capture the sum total of alliance accomplishments.

Third, assessing the intermediate results and development impact of an alliance is uniquely challenging. For one thing, rarely will alliance objectives completely overlap with the objectives of a USAID Strategic Plan. Therefore, it may require the development of a separate results framework or similar analysis to clearly define and describe how the sum of alliance *outputs* will lead to the achievement of expected intermediate results and development impact.

For another, different partners may define alliance *success* in different ways and hence be interested in tracking different alliance 'results'. In the SFPGA, for example, IKEA and Home Depot will be most concerned about the levels of green timber production that can be achieved at a given input cost; the World Wildlife Foundation and The Nature Conservancy will be more concerned with measuring the decline in illegal logging; USAID and other development agencies will want to see the impact on farmer income and, in turn, on the health and education achievement of rural families. All of these are legitimate measures of alliance "success" that need to be incorporated in order to determine whether an alliance is meeting the distinctive objectives of each alliance partner. The challenge is to knit these differing measures of success into an analytical framework that integrates each one into the strategic logic of the alliance as a whole.

As always in designing any M&E system, there is the need to strike a balance between the value of the information collected and the costs in time and dollars to collect it. The key consideration is what information is needed to:

- effectively manage alliance resources, ensuring that alliance managers can get information they need to make mid-course corrections as appropriate;
- properly account for use of taxpayer and shareholder funds; and
- meet priority information needs of other stakeholder groups, such as host government or other donor officials engaged in related development programs, additional partners who may be sought in the future to sustain or expand the alliance, or others.

Determining what information is needed by whom and with what frequency and rigor will drive the design of any M&E system. Doing this in the context of an alliance requires intensive consultation with all partners. Once the scope of the desired system is defined, alliance managers then must agree on how M&E activities will be funded, who will manage them, and how widely the data and analyses will be shared.

Participation by the private sector partner in the design of an alliance M&E plan may introduce new approaches and create learning opportunities for all parties. Performance management practices are well known to corporate and NGO managers but may be widely different from those applied in USAID. There will be differences in terminology (e.g., metrics vs. performance indicators), as well as possible concerns about proprietary methodologies (e.g., collection and interpretation of pricing data). Corporate and business sector partners will offer special expertise on cost-effective data collection on pricing and marketing, while USAID and its traditional partners can contribute expertise on measuring development impact.

It should be noted that some private sector firms tend to measure the 'impact' of their public-private partnerships in terms of their corporate social responsibility objectives, namely the firm's reputation and/or employee satisfaction, rather than in terms of the results achieved by the programs they support (although this is beginning to change in some of the CSR "thought" leaders). This will less likely be the case in those alliances where the private sector participation is linked to its core business interests; in these alliances, the private sector resource partners will naturally have a greater interest in and commitment to measuring program results.

The recent mid-term assessment of the GDA model found that many alliances had not yet developed effective alliance-wide M&E systems. Where such systems were in place, they were typically carried out by an independent contractor or other third party funded under the alliance specifically to carry out alliance M&E. The Indonesia Timber Alliance provides an example of this approach. Following a suggestion by DfID, a potential partner, to build in a bigger M&E component from the beginning, USAID increased the budget for that purpose. The implementing partners then contracted a research institute to handle M&E (referred to by the implementing partners as 'Lessons Learning') for the alliance. The system is set up so that each alliance activity is tracked separately and each partner's resource contribution is linked to the activity it is funding. For example, each partner can learn how much of its contribution is going toward timber tracking and the specific amount of wood saved. Giving each partner a clear idea of what their resources are accomplishing is not just a matter of accountability, but a good way to build commitment and sustainability into an alliance. Other alliances have plans to carry out both process and impact-level evaluations at various points in alliance implementation.

Finally, it is worth underscoring the value of identifying and sharing lessons learned about the GDA model of public-private partnerships and its effectiveness as a development tool. GDA is a relatively new, and challenging, business model for USAID and can be expected to evolve and improve as the Agency and its partners gain more experience in applying it to real development problems in the real world of developing countries. This process will be richly enhanced and accelerated if alliance managers throughout the Agency share their experience and lessons learned widely so they can be reflected in Agency-wide practices, policies, and procedures relating to GDA. The GDA Secretariat has a key role in disseminating and mainstreaming lessons learned through its training activities (workshops and the Learning Stories series), its periodic revisions of the ADS as needed, and its updates of this document, *Tools for Alliance Builders*. Alliance managers are encouraged, though not required, to conduct mid-term assessments to identify what's working, what's not, and to share these with the GDA Secretariat for broad dissemination to other alliance managers in USAID and to USAID's many alliance partners.

Reporting

All Agency operating units are requested to submit reporting on public-private alliances as a means of documenting the extent to which alliances are being used in on-going Agency programs, the range of alliance partners and partner types currently participating in Agency-funded alliances, and the nature and amount of partner contributions leveraged in support of USAID program objectives. For the FY 2004 Annual Report, all USAID operating units were required to fill out the Global Development Alliance Template found in the Annual

Report home page for each of the alliances the operating unit managed, and for which funding was obligated in FY 2004. Such data is routinely requested by various external audiences and also needed for internal assessment of the Agency's progress in mainstreaming the GDA business model.

To be reported as a Global Development Alliance, an activity must meet the following threshold criteria:

a. total USAID resources (from all operating units) committed over the life of the alliance activity is leveraging at least an equal or greater amount of total partner resources;
b. Beginning in FY03, this partner contribution must include private funds (see definition below) at least equal to 25% of the value of the expected USAID resources.

In addition to these leveraging criteria, GDA alliances should also exhibit the following characteristics:

a. Joint planning and problem definition;
b. Shared risks and responsibilities;
c. Ideally, though not necessarily, new partners and/or innovative approaches.

The resource contributions expected from GDA partners may include both public and private funds, and may be provided as cash or in-kind contributions. Public resources contributed to an alliance may come from other USG agencies, state and local governments or governmental agencies, bilateral and multilateral institutions, and foreign governments or governmental agencies. Private resources would include contributions from private companies, foundations, universities, NGOs (if raised from non-public sources), private individuals, and any other non-public source.

To track Agency alliance activity, the GDA Secretariat is maintaining a database on alliances for which USAID has obligated funds beginning in FY02. This database is designed to track alliances from the planning stages through to implementation, as a basis for reporting to the Administrator and a diverse range of audiences on the extent to which alliances are being used in USAID programs, the numbers and kinds of alliance partners USAID is working with, and the value of partner contributions. A summary matrix listing each alliance, where it is operating, USAID and partner contributions, and leverage ratio is available from the GDA Secretariat. USAID staff wishing to search the database for more detailed information on an individual alliance, alliance partners, and partner roles and contributions should contact the GDA Secretariat.

Performance reporting on alliance follows standard Agency practice. Monitoring and evaluation criteria and benchmarks should be established with the alliance partners, as discussed in the previous section and alliance managers are encouraged to set expectations up front. If USAID funding is involved in the alliance, those funds would be managed and reported on their use as with any activity, i.e., the Strategic Objective Team would continue to measure strategic objective results achievement with its agreed-upon indicators. The principal management differences come in the way in which alliance progress is monitored and reported.

Disseminating information about alliance progress and impact is equally important externally as it is internally. Raising awareness about the development program may help bring additional, helpful stakeholders to the table, further raise USAID and corporate social responsibility to the consciousness of private business and highlight innovative approaches of government to key USAID constituents.

Opportunities to publicize an alliance may include a signing ceremony at alliance formation. A signing ceremony is also appropriate to formally inaugurate an alliance even when joint planning has already developed into joint action. LPA can help produce a press release, press conference or other materials such as a fact sheet, questions and answers, or brochure. Many alliances have created websites or homepages on USAID's website to publish the story and progress of the alliance. Alliance reporting will help bear out key points regarding impact, including the additional development impact effected by the collaborative nature of the activity. Regardless of the approach, it is important to coordinate at all times with alliance partners. They may be able to bring significant resources to the table in the form of public relations staff, media relationships, photographs, market research, publications, and so on.

In instances of negative press, it is more important than ever to tell the correct story of the alliance. No organization is immune from negative press. Anticipate any issues in advance and account for them in your materials. The due diligence process reduces the risk of significant negative press due to a partner's record, but cannot eliminate it. The following model for press releases and case studies may help the story stand on solid ground and reduce PR risks: a) define the development problem, b) describe how the alliance addresses that problem, c) define partners and their contributions; and d) define the anticipated development impact. See www.usaid.gov for a list of most recent press releases. A GDA-specific release on Kraft and cashew sector development in Guinea is available below.

One tool that may assist alliance builders, either as background material in publicizing an alliance or in outreach to potential partners, is the GDA Secretariat's publication of alliance case studies. The compilation of alliances may be used as a marketing tool as well. The GDA Secretariat can make copies available upon request or a PDF format of the GDA brochure is available on the GDA homepage at www.usaid.gov/gda.

Tools

- Overview of the Federal Advisory Committee Act (FACA)
- SFPGA Quarterly Report with sample M&E tables
- Sample press release: Kraft and cashew sector development in Guinea
- GDA Brochure

NEW HORIZONS

Established just prior to the 2002 fiscal year, the GDA pillar bureau was not intended to function as a permanent Agency fixture. Rather, its job was to initiate public-private alliances, support operating unit efforts in developing alliances, disseminate best practices and lessons learned across operating units, and perform the outreach functions needed to alert private sector actors to the possibility of partnership with USAID. The ultimate success of these efforts is measured in the ability of operating units to perform these functions as a part of everyday business practice. Accordingly, the GDA functional bureau was given a lifespan through December 2006 to fully mainstream the business model.

In FY04, USAID conducted an assessment of the GDA business model to gauge success at midpoint. The report recognized public-private alliances as 'an evolving and increasingly important business methodology that is taking hold at the country, regional and global level.'

In line with assessment findings and recommendations, the GDA Secretariat has established priorities to continue the mainstreaming process. Pending innovations include:

- creation of a dedicated obligating instrument tailored specifically to the mechanics of a public private alliance. This innovation will reduce potential complications such as waiving the competition requirement for new obligating instruments, or modifying existing obligating instruments

- deployment of regional alliance builders to four regional missions in order to deliver targeted GDA support functions to bilateral and regional missions.

- scale up of dedicated GDA training suite to accommodate the needs of existing staff and prepare new staff for their roles as alliance builders.

Additionally, the Secretariat anticipates further development in the concept and practice of due diligence and, most significantly, the concept of leveraging development impact through private sector contributions and participation, not merely the leveraging of inputs.

You can be a part of this important and pioneering effort to change the way USAID does business. Alliances are not always appropriate in every sector or as an answer to every development challenge. But they can and do serve as crucial adjuncts to existing mission and bureau portfolios that connect USAID officers and programs to a wealth of additional resources found in the private sector.

Appendices

Appendix I
Illustrative Learning Story: Armenia Earthquake Recovery Zone Program

In December 1988, a devastating earthquake in Armenia claimed over 25,000 lives and left 500,000 homeless. Dissolution of the Soviet Union three years later not only delayed full recovery, but also left the country with a crumbling infrastructure as well as the ongoing humanitarian crisis from the earthquake.

In response, USAID partnered with a group of foundations and organizations - including the All Armenia Fund, the Huntsman Foundation, the Lincy Foundation, the Norwegian Refugee Council, the United Nations Development Program, and the Urban Institute, among others – in a series of collaborations called the Earthquake Zone Recovery Program. This broad alliance among donors, governments, and foundations was intended to stimulate regional recovery by developing the housing market, promoting democratic reform, and encouraging private investment.

The alliance can be said to have begun when the Urban Institute (UI), a non-profit non-partisan research institute, finished the blueprint of a housing strategy for Armenia in 1998 at the request of the World Bank. At the same time, the Urban Institute asked USAID to send a 'construction expert' to the country. By securing an expert in the field, UI hoped to convince other donors such as the Lincy Foundation, an organization active in Armenian development, to join the developing project. The foundation had already committed $15 million for new home construction, but as a direct result of dealings with Urban Institute, the foundation contributed another $30 million.

To accommodate its large homeless population of thousands of families, the newly independent Armenian government had provided *domics*, temporary metal shelters that lacked running water and sewage lines. Under the Earthquake Zone Recovery Plan, families still living in *domics* are issued housing certificates that enable them to buy pre-existing homes at market prices, or participate in a home improvement program aimed at completing unfinished houses and helping NGOs plan for future redevelopment.

As the key implementing partner, Urban Institute was expected to maximize collaboration with other organizations, a challenge they embraced. By 2002, it became clear the activities of the EQZRP – involving several stakeholder entities spanning the public and private sector – accurately reflected the model of development espoused by the Global Development Alliance, instituted in 2001 to capitalize on the growing influence and reach of resources outside the public domain.

<u>First Steps</u>
The EQZRP grew out of work done by the Urban Institute for the World Bank ("A New Housing Strategy For Armenia") and the USAID Gyumri Housing Certificate Pilot Program of 2000—2001. It was tendered through an RFP in 2001. NOTE: Finding an operative partner in the beginning is a key element for success.

After the contract was awarded, the Urban Institute initiated EQZ bi-monthly meetings to enhance alliance resource member coordination through a formal venue for communication. The component manager for the Urban Institute, Aram Khachadurian, was the driving force behind this effort. The Urban Institute still manages the donor coordination meeting administrative functions—minutes, scheduling, etc, while USAID now hosts the functions.

The meetings are open to all interested parties, and new organizations with similar interests are often invited. There are web sites devoted to this program: www.shirak.am and www.urbaninstitute.am

Choice of Partners

The Norwegian Refugee Council was the next party to join the alliance. This organization concentrated on the provision of refugee housing. The Urban Institute and USAID also searched for additional partners working within the EQZ and among diaspora, foreign and international organizations working in housing and urban development. Information was shared mainly in country and with Armenia's large diaspora community. Sharing is done through constant research and attention to expressions of interest.

All parties interested in contributing to the earthquake zone recovery are invited to explore collaboration with the EQZRP. There is no preference given to either for-profit or not-for-profit entities, and the Urban Institute staff has taken advantage of good relations with the Government of Armenia to explore opportunities for collaboration and leveraging within the country. Issues of legality, ethical conduct and political objectives are, however, all potential grounds for refusing collaboration.

There is no set procedure for issuing invitations to potential partners. As Steve Anlian from UI explains, the bi-monthly meetings are ideal for efficient networking, and negotiations often result. If, after discussions, both parties feel that their projects will not be compromised through collaboration and there is potential for increased success, they will work together. If, however, there are conflicts of interest or simply incompatible personalities, it naturally becomes difficult for organizations to successfully collaborate.

The EQZRP alliance is, in general, highly attractive to other potential partners. USAID is an established and reliable partner with significant resources, a reputation strengthened by the record of the Armenia mission. The drawbacks for other organizations in working with USAID lay in the inherent bureaucracy of working with a large government entity and the extensive government regulations that must be followed. These issues do not appear to prevent collaboration, though. The EQZRP has not had difficulty attracting partners such as the Government of Armenia, which contributed $210,000 to the alliance.

USAID and GDA concept

To ensure that partners understand the GDA concept, USAID/Armenia staff have dealt with each partner on a one-on-one basis and taken the time to painstakingly explain the program's approach. In general, USG regulations can be difficult to comprehend for non-governmental or non-UN organizations (source/origin requirements, competition requirements, etc.). However, if these are clearly explained at the outset, most problems can be avoided. According to Steve Anlian, the EQZRP has encountered only minor issues.

The Process

For this alliance, a parallel funding approach, in which partner resources are held and tracked separately, served as the most appropriate way to fund activities. All donors are invited to participate in the bi-monthly meetings and collaboration, but partners do not pool funds in this alliance. Each member maintains and manages separate funding tracks.

USAID/Armenia's manager for this alliance, Gene Sienkiewicz, noted that "each collaboration is done on its own merits, and through its own mechanism, which in most cases is an agreement (sometimes written, but simple, e.g. with UNHCR, other times verbal) to implement each organization's projects in a complementary way. As an example, the Norwegian Refugee Council might agree to locate its new refugee housing on land that is being cleared of temporary shelters (*domics*) through the USAID EQZRP, but with no written agreement or exchange of funds. This would benefit the USAID program because the cleared land would then be promptly put to a positive and attractive use, thus demonstrating recovery.” Much of the success in these collaborations is predicated on trust and regular communication among the donor community, which the GDA business model seeks to engender.

Sienkiewicz continued: "USAID’s implementer, the Urban Institute, and the partner organizations jointly manage collaborations. USAID’s role is manager of the contract (acquisition instrument) with the Urban Institute, and AID is regularly informed of UI’s progress. In the case of formal written agreements such as with UNHCR, the letter of understanding is between USAID and UNHCR.

"The length of the collaboration is based on the activity. Once the projects are completed, the collaboration is effectively done. In the case of UNHCR, the letter of agreement was for the duration of the EQZRP. After an initial collaboration in the city of Gyumri, an additional collaboration in the city of Vanadzor was decided upon, which was then done under the same letter of agreement.”

Asked for advice for other alliance builders, Gene Sienkiewicz concluded: “Always be clear and frank at the outset, focus on the objective, and recognize that not all collaborations will work.”

<u>Conclusions/ Lessons Learned</u>

- ***Effective Implementers*** Seek out an operative implementing partner in the field.

- ***Be Realistic*** Try to be realistic in expectations; be frank and clear with your partners and stay focused -- building alliances takes time.

- ***Bumps Along the Road*** Be prepared for an alliance to hit stumbling blocks or even fall apart.

- ***Uniqueness.*** Steve Anlian from UI remarked: “one should always look for the benefit of a collaboration and focus on things each partner can do best. USAID’s certificate program was unique. Using these Housing Certificates has made this alliance successful for all.”

- ***Capitalizing on Diaspora Resources.*** GDA has the potential to be a multiplier of diaspora resources– which has worked well for Armenia and could work wherever diaspora populations exist.

- ***Be Flexible.*** Do not ‘over-structure’ an alliance; leave it with the potential to develop on its own. The EQZRP became so important for Armenia and all of the contributing partners because of its potential to develop and include even small partners with different objectives (For instance, Jinishian Memorial Foundation contributed $30,000 for a heating system in completed houses.) Only a coordinated effort made the alliance successful and allowed each partner to contribute more then they would have otherwise.

Information for this alliance learning story was provided Gene Sienkiewicz, USAID/Armenia and Steve Anlian, Urban Institute, Armenia.

Appendix II
Preconditions for Success: An Alliance Checklist

- ***Common cause***: The issue to be addressed by the alliance is important to prospective alliance members. It is clear why forming an alliance is advantageous as a way to treat the issue.

- ***Belief in alliances as a strategy***: Prospective alliance members believe that this approach can solve problems better than working independently. Alliance members are willing to treat each other as equal partners.

- ***Presence of a convener***: At least one prospective alliance member has the standing to call the other alliance members to the table. The convener could be from USAID or from a partner group.

- ***Principled Behavior***: It is critical that USAID aligns itself with those private entities whose interests are compatible with USAID's and whose business practices do not pose reputation risks for the alliance or for USAID. Look for 'evidence' that the proposed partners' operational practices incorporate, for instance, commitment to human rights, decent work conditions, environmental protection, and community involvement.

- ***Resources***: Financial and human resources to support the alliance are available. Each member is willing to commit the particular resources that it is able to share.

- ***Willingness to explore opportunities***: Alliance members are willing to take risks together that individually they might not be willing to take; and they're willing to work creatively together in doing so.

Don't feel that you have to work in isolation as you complete the checklist. Many other organizations — other donors, NGOs, companies, as well as other units in USAID — already have a wealth of experience in establishing and using alliances.

Appendix III
Leveraging Guidelines For APS

The following language, drafted by GC and OP, provides additional insight into the leverage concept.

The GDA APS provides that in order "to qualify for USAID funding under this APS, an alliance must demonstrate that partners are able and willing to collectively contribute significant resources to the proposed program that are at least equal to the level of resources sought from USAID." The purpose of this qualifier is to bring significant resources to international development issues.

The decision to fund a particular activity is partially based on the collective resources that constitute the 1:1 leveraging.

USAID traditionally uses "cost share" to ensure the commitment of pledged resources. Cost share is defined as the portion of the program costs not borne by the Federal Government. Cost share is legally binding under the cooperative agreement and might be appropriate in some instances.

In public-private alliances, there are alternative ways to demonstrate that commitment of resources. For example, a letter of intent or memorandum of understanding may be more appropriate depending upon the respective and/or collective situations of the alliance members.

The decision as to whether the collective resources will be treated as cost share and/or leveraging as pledged by letters of intent or memoranda of understanding will be discussed among the alliance members including the cognizant mission/pillar that intends to manage the activity prior to finalizing the award.

In some cases, cost share may not be appropriate at all, given the manner in which the alliance develops; in some cases, a split between binding cost share and intended-but-not-binding leverage may be appropriate; in some instances most or all of the contributions may be treated as cost share.

The GDA Secretariat requests that the GDA representative in the cognizant mission/pillar coordinate the Secretariat's review of leveraging decisions for the first few alliances established in each mission/pillar in an effort to facilitate the understanding of the leveraging qualification.

[3/4/03 revision of draft prepared by Office of the General Counsel, as amended by Office of Procurement, and cleared by GDA Secretariat]

Appendix IV
Development Credit Authority and Alliances

USAID's Development Credit Authority (DCA) is a broad financing authority that allows USAID to use partial guarantees to encourage local private lenders/investors to finance development activities. The overriding goals of DCA are to mobilize private capital, leverage USAID funds, and demonstrate the economic viability of higher risk investments to the local banking sector and other sources of private capital.

While not all mission activities are suitable for credit financing, DCA lends itself to a range of sectoral activities. Completed deals to-date have been concentrated in the areas of energy and environment, infrastructure (including water), micro/small enterprise promotion, housing/mortgage, economic growth and agribusiness. DCA deals may include an institutional strengthening component for the financial sector partners as well.

Under the DCA, missions identify prospective alliance partners and design appropriate activities, based on their approved Strategic Objectives. USAID's Office of Development Credit helps in the design and development of cost estimates based on country risk factors approved by the USG Office of Management and Budget. USAID's Chief Financial Officer approves mission proposals for use of the credit authority. Missions pay for the cost of their DCA projects. The attractive feature is that these costs, which reflect the risk of default by the borrower, are shared equally by the private sector lender. Credit programs are highly leveraged: On average, DCA loan guarantees yield a 1:10 ratio of appropriated funds to actual development spending. More information on the DCA can be found at: www.usaid.gov/our_work/economic_growth_and_trade/development_credit

Examples

1. Loan Portfolio Guarantee

Mali: Agribusiness lending
Partial guarantees made available to BICIM bank will assist in mobilizing credit for medium and large-size agribusinesses operating in Mali and directly support the mission's ongoing activities in the agricultural sector. The DCA Guarantee will stimulate the growth of lending in the agricultural sector by demonstrating that lending to agribusinesses can be profitable, when risk is prudently managed. Technical assistance combined with a risk management tool, such as the DCA Guarantee, can be a powerful combination of resources serving to leverage private sector investment to achieve development goals.

Peru: Environmental compliance
This activity provides a local bank with a loan portfolio guarantee to provide capital for small and medium enterprises (SMEs) in Peru willing to introduce, upgrade or retrofit industrial processes that utilize cleaner technologies. End-of-pipe projects will also be eligible, provided that the corresponding projects could generate positive cash flows for the debtor, for instance, in avoiding pollution fines or penalties from the government, or in new sales generation to international clients requesting operative environmental standards. The activity will promote and support the development of sustainable financing mechanisms for cleaner production and directly contributes to the mission's ongoing environmental initiatives.

2. Loan Guarantee

South Africa: Low Income Home Loan Program
South African banks are reluctant to make new housing-related loans to lower income borrowers because of the potential default risks flowing from the HIV/AIDS pandemic. In order to promote continued lending by South African banks to low-income individuals seeking home-improvement or mortgage loans, the Home Loan Guaranty Company (HLGC) is entering into agreements with several South African banks and financial institutions to insure against the risk of defaults due to HIV/AIDS related incapacitation. USAID will share this risk with HLGC. The premium paid by participating banks for the HIV/AIDS related coverage, together with interest earned on it, will be used by HLGC to pay out claims. An estimated 600,000 households are expected to benefit from this program.

3. Bond Guarantee

India: Tamil Nadu Water and Sanitation Pooled Fund
Promoted under the Indo-USAID FIRE project, municipal bonds have been received enthusiastically by numerous municipal authorities in India. The bond guarantee will support the establishment of the "Water and Sanitation Pooled Fund" (WSPF), which will onlend to several municipal water and sanitation projects. The funds raised by the bond issue will be disbursed as sub-loans to the participating urban local bodies. The activity exemplifies the guiding principles of the DCA program by addressing current development objectives of USAID/India, correcting a market imperfection related to financing of urban infrastructure in the country, and showing financial viability in the project's debt repayment structure.

Kazakhstan: Mortgage Lending Market Development
The purpose of this activity is to support the development of mortgage lending and a secondary mortgage market in Kazakhstan by providing a 50 percent principal guarantee of a $1 million three-year mortgage-backed bond issue by Lariba Bank, based in Almaty. Once the first bond is paid off, a new, four-year, $1 million bond will be issued under similar terms. The pilot is designed to demonstrate that banks can originate mortgages and then liquefy them through the creation of a security and subsequent sale. This, in turn, gives banks the opportunity to re-lend and build a portfolio of mortgages for servicing while capturing a positive spread between the sale price of the note and weighted average coupon of the originated portfolio.

Appendix V
Thinking Strategically about Alliances
Identifying a Private Sector Resource Partner

For each of the development sectors being considered in the mission's strategic plan, consider whether the private sector is or could be a significant, long-term stakeholder.

There are different ways to look at the private sector as a stakeholder in the mission's development program:

1. **Direct business interests**: What private sector actors stand to gain if this sector grows and prospers? Conversely, what private sector actors stand to lose if it doesn't?

2. **Indirect business interests**: What private sector actors have a long-term financial or reputational investment in this country or sector?

3. **Philanthropic interests**: What foundations and other actors in the private non-profit sector have interests in this country or sector?

4. **Critical assets**: What private sector actors might be a critical part of the solution to the development challenges in this sector?

Identifying Potential Partners with Direct Business Interests (Category #1)
Those stakeholders falling into category #1 are typically private for-profit businesses or service providers and are good candidates to approach as resource partners since they would expect to reap business benefits from a successful alliance with USAID.

In identifying private sector actors in this category, consider each of the roles the private sector plays and its links to USAID's development priorities:

- **As an employer**, a private business has interests in primary health care, HIV/AIDS prevention, health policy, basic education, skills training, IT training, labor policy; pension and social security policy.

- **As an investor**, a private business has interests in accessing essential raw materials in a sustainable way through responsible economic and environmental management ; in being ensured of an adequate supply of healthy and productive workers through cost-effective health care and skills training; in efficient marketing of its product through market systems and transportation infrastructure development; and in a stable and predictable economic management regime with protection for foreign and local private investment.

- **As a vendor and supplier of inputs**, a private business has interests in growing the markets for their products and services through agricultural and SME development, promotion of eco-tourism, skills training programs; improved financing or credit access for buyers of goods and services; and a stable and predictable trade and economic management regime.

- **A purchaser of product** has interests in assuring price stability and quality of product through agribusiness development; market development; supply chain integration.

Most of the private sector resource partners (although not the biggest in terms of contributions) found in the GDA portfolio fall into this broad category. They cluster around the following development activities:

Supply chain integration:
Nestle, Mars, and various European chocolate industries in West Africa Sustainable Tree Crop (Cocoa) and SUCCESS Asia Cocoa Alliances
Starbucks and Green Mountain Roasters in Central American Regional Coffee Program
Finta (Zambian) Dairy Ltd and local dairy farmers in Zambia Milk Collection Centers Alliance
IKEA and Home Depot in Worldwide Certified Forests Alliance
Royal Ahold in Ghana Food Industry Development Alliance

Agribusiness development:
Shaffer in Mali Markala Sugar
Fresh & Green in Nigeria Cassava Competitiveness
ChevronTexaco in Cabinda Agribusiness Development

Livestock health and market development:
Private animal health service providers in Horn of Africa Livestock Trade Commission Alliance
Intervet in Southern Africa Regional Heartwater Vaccine Development Alliance

Non-traditional export development:
Variety of private buyers in Agribusiness in Sustainable Natural Plant Products (ASNAAP)
AVEDA in Nepal Non-timber Forest Products
Liz Claiborne in Mozlink's textile component

Information technology development:
Sun Microsystems, IBM, and Cisco Systems in Information Technology Training for Youth Alliance in Brazil

Marketing efficiency:
SHENI Agricultural Supplies and smallholder farmers in Zambia Warehouse Receipts Alliance

Policy reform:
Pfizer in South African Alliance on Intellectual Property Rights

Worker productivity:
Local companies in Colombia seeking IT-trained employees in LAC's entra 21 alliance with IADB and IYF
Banco do Brasil in Information Technology Training for Youth in Brazil

Sustainable resource development:
QIT Minerals in Madagascar Minerals Alliance
BP in Papua Birdshead Alliance

Since these partners will have core business interests at stake in the alliance with USAID, it is likely that they will seek a more active role in the alliance, their senior management will be more engaged in its planning and management, and they may be prepared to make a longer-term and more substantial commitment if the alliance shows signs of early success.

Identifying Potential Partners with Indirect Business Interests (Category #2)
Stakeholders falling into category #2 are also good candidates for resource partners, and are typically US or multinational companies which have, or seek, a long-term presence in the country and/or which are identified with policy issues that could negatively affect their public image. Businesses in this category often have, or are receptive to having, CSR programs as tangible evidence of their interest in being a good corporate citizen in that country. Examples in the GDA database are: Unilever and Ben & Jerry's in Mali Child Welfare, De Beers Group in Sierra Leone Peace Diamonds, and Mirant in AMORE Renewable Energy Alliance in the Philippines. An additional example is the FY03 ChevronTexaco alliance in Angola, which is motivated by CT's interest in being a "good citizen" in Angola more than by a direct business interest which that alliance might serve (in contrast to the Cabinda Agribusiness Development alliance cited above, which is designed to promote growth of businesses that could supply CT's operations in Angola, thus meeting an immediate business interest.)

This category affords a broader span of possible interests that would overlap with USAID's, as the prospective partner is not tied to meeting its business interests but can undertake any activity which meets its CSR objectives, which are likely to be more wide-ranging. Thus, it is one where proactive marketing by USAID of program ideas to receptive businesses can pay handsomely. These could – and do –include local businesses as well as multinational ones. Good candidates are programs with a broad public appeal, such as education or health. Examples of this "marketing" approach to alliance-building are: Morocco Girls Education and Healthy Indonesia 2020, both of which were developed as programs offering corporate sponsors a good development "brand" to be associated with, and hence won private business support. Another example is the bednet vouchering scheme being developed in West Africa where oil companies have expressed interest in donating to the treated bednet distribution program in return for having their logo show on the discount coupons distributed to rural householders.

Identifying Potential Partners with Philanthropic Interests
Stakeholders falling into category #3 are typically foundations. GDA has benefited significantly from the support of a number of foundations with interests in the problems of the developing world which have brought sizeable contributions to several on-going alliances with USAID. The Hilton Foundation's commitment to improved water supply led to a major contribution to the WAWI alliance. The Gates Foundation's commitment to improving health and health-care systems around the world has led to their support of GAIN, IAVI, and other innovative public-private alliances. Other examples include Hewlett and Overbrook Foundations in Brazil Sustainable Forestry; Toyota Foundation in India Livable Communities (Clean Air); UNF in MesoAmerican Reef and India Livable Communities; Kellogg Foundation in Africa Food Resources Bank Alliance. and Mellon Foundation in Incentive Fund Education.

Dealing with foundations and other philanthropic resource partners affords the very significant advantage of goal compatibility, since they are likelier to share USAID's longer-range development goals and time-horizon. This makes this category of partners a more natural "fit" for USAID programs. However, the universe of foundations willing to work on development issues is a finite one, and competition for their attention and resources is intense.

Identifying Potential Partners with Critical Assets
This category may include some overlap with the others listed above, but offers a different way of thinking about what partners might be approached. This requires analysis of what assets are needed to achieve a specific development result AND are not available from

public sector sources. Such assets might include a proprietary technology, or a unique educational curriculum, or sensitive market information. Some examples in the GDA portfolio include:

Monsanto in Philippines
Sesame Street in Egypt and India
Royal Ahold in Ghana
Intervet in Southern Africa Heartwater Vaccine Commercialization

This approach requires USAID to be more proactive in the strategic planning stages in identifying potential resource partners and may be less well-suited to an 'opportunistic' alliance-building strategy. These are cases where the business interest in the alliance may not have been immediately evident to the partner without USAID undertaking extensive discussion leading the partner to a broader understanding of the opportunities its participation in such an alliance might offer. (E.g. the evolution of the Royal Ahold alliance, where intensive discussion by USAID staff and contractors with RA representatives redirected RA's earlier interest in a 'one-off' CSR-inspired investment to one which directly supported mission and GOG development objectives and to which RA could offer a unique, and critical, asset.)

GDA: 5/17/04

Appendix VI
Introduction to USAID for the Private Sector

Dear Potential Alliance Partner:

The purpose of this letter is to introduce the U.S. Agency for International Development (USAID) and the Public-Private Alliance (PPA) model to private sector entities that are interested in partnering with USAID in global development activities. The PPA model was introduced in 2001 to harness the resources, skills and creativity of the private sector in generating unique approaches to global development issues.

The move toward alliances activity is based on the recognition that traditional approaches to foreign assistance have evolved, with non-public resources now accounting for 80% of the resource flows to the developing world, compared to just 30% in the 1970s. Many of these resources are from the private sector, creating the opportunity for enhanced cooperation in development activities. In addition, the private sector makes unique contributions in developing countries by promoting improved labor and environmental standards, sustainable job creation, expanded trade relations, and technological innovation and training. Thus, there are many areas where USAID and private sector collaboration in development activities makes sense, and creates a win-win-win situation for local populations, USAID and its partners in developing countries.

USAID private sector partners have embraced the PPA concept and to date over 200 alliances have been formed in 100 countries, with $500 million of USAID resources leveraging over $2 billion in non-U.S. Government assets. USAID is committed to devoting its talents and resources to alliance building, and seeks to generate maximum flexibility in formulating and structuring alliances.

What is USAID?

USAID was created in 1961 to design and manage U.S. foreign assistance programs with the mandate to promote democracy and economic growth, and assist countries emerging from crises and humanitarian disasters. Through its programs, USAID fosters a positive view of American values and skills, and has a direct impact on improving the lives of populations in the developing world. Currently, USAID manages programs in more than 100 countries and its annual budget of close to $14 billion supports programs in numerous areas, including economic growth and trade development, democracy and governance, environment, IT, education, health care, and agriculture.

USAID is headquartered in Washington, DC and is headed by an Administrator who is appointed by the President and confirmed by the Senate. Andrew Natsios is the current Administrator. The Agency is comprised of regional bureaus, including:

- Sub-Saharan Africa
- Asia and the Near East
- Latin America and the Caribbean
- Europe and Eurasia.

In addition, three functional Bureaus manage programs for transnational issues, including:

- Global Health
- Economic Growth, Agriculture and Trade
- Democracy, Conflict and Humanitarian Assistance

As shown in the attached organizational chart, USAID's primary strength is in its 80 country and regional missions around the world, which house U.S. and national staff who are country and technical experts. USAID programs are usually funded through grants or contracts for the procurement of goods and services, and currently relationships exist with over 3,500 U.S. companies and 300 private-voluntary organizations (PVOs).

What is a Public-Private Alliance (PPA)?

In May 2001, Secretary of State Colin Powell announced an initiative to develop Public-Private Alliances (PPAs) with private sector partners on issues of shared interest to USAID and stakeholders in developing countries. As part of this effort, the Global Development Alliance Secretariat (GDA) was created in USAID's Washington, DC headquarters to serve as a facilitator among potential partners in alliance building activities. The GDA Secretariat has a small staff that provides training to USAID staff on the PPA model, conducts outreach to the private sector, and shares learning on best practices. Companies, business organizations, and trade associations may approach the GDA Secretariat's office, the Washington, DC bureaus, or overseas missions to discuss specific ideas and opportunities.

The alliance model incorporates the pooled knowledge, skills and resources of USAID, the private sector and other partners. PPAs differ from other USAID programs in that they bring shared responsibilities and resource commitments to a particular activity that is more collaborative than traditional grant disbursement. In creating PPAs, USAID and its partners jointly identify solutions that capitalize on the expertise that each entity brings to the table, and creates a unique synergy to development solutions.

Successful PPAs can relate to your organization's core competency or can address broader development goals. Although USAID can collaborate with your firm in a number of areas, the following PPAs provide some examples of alliance activities and objectives.

- Improving Commodity Standards: Multinational corporations work with local producers to improve cultivation and standards of commodities core to their business, including cocoa, coffee and forest products.
- Building IT Capacity: Computer and software firms donate product and provide training to local populations to both enhance a country's IT capacity and to improve workforce skills.
- Development Surrounding Large Infrastructure Projects: Multinationals in the extractive industries support a broad range of development projects in the areas in which they work. These efforts go beyond the traditional "bricks and mortar" of building hospitals and schools by seeking to create sustainable local capacity in a range of areas.
- Enhancing Global Health, Education and Environmental Standards: Private sector partners have been active in initiatives that increase access to vaccines, provide scholarships for advanced education and training, and develop clean water resources, to name a few.

How Can Your Company Benefit from PPAs?

The PPA model would not be nearly as successful without the greater interest in Corporate Social Responsibility (CSR) that has evolved in the last decade. Companies have become increasingly active in sponsoring development projects and are donating substantial resources, skills and personnel to such efforts. It is commonly recognized that this not only makes good business sense in the countries where companies operate, but also meets investor expectations and creates shareholder value for the firm. As such, your company's involvement in PPAs can advance your firm's social responsibility agenda.

Furthermore, many USAID-sponsored programs address issues that advance private sector interests. For example, USAID programs seek to strengthen the rule of law, reduce the incidence of corruption, provide alternative dispute resolution mechanisms, and allow for increased FDI. Although alliances are not intended to promote a company's position or entry to a particular market, partnerships often enhance the enabling environment for private sector activity. For example, PPAs can achieve the following:

- Enhancing supply chain management in the production and procurement of goods and services;
- Introducing advanced technologies in the delivery of health, education, and government services;
- Promoting economic growth and private sector development through enhancing business skills, product design, and marketing efforts of local companies; and,
- Training in International Accounting Standards and the development of sound banking systems.

Thus, by working with partners, alliances can have a multiplier effect by generating a greater impact than would have been realized if the partners worked independently. These activities can generate conditions for a more stable and prosperous country, which is in the interest of USAID and its partners.

How Can I Create an Alliance with USAID?

There are two principal ways that your organization can participate in alliances. The first involves support through the provision of cash, technical assistance, or in-kind resources to projects co-sponsored by USAID that relate to a company's core competency and have a development impact. The second involves support for a non-core business activity, such as offering direct assistance to a project in a developing country where your company has a large investment, or in a sector that relates to your Foundation or CSR priorities.

USAID seeks to be flexible and responsive to proposals from the private sector, and welcomes discussions with potential partners for activities that have a strategic fit with USAID's mission. USAID partners with companies that demonstrate a commitment to socially responsible business practices with regards to financial transparency and soundness, human rights and labor conditions, environmental accountability, and affirmative action standards. The resource contribution made by the partners must be at least equal to that of USAID, but often exceed the minimum 1:1 leverage ratio, and can be in the form of cash or in-kind contributions, such as product, knowledge or technical skills.

Regardless of where and how discussions begin the primary role in managing and implementing alliances often resides in the overseas missions. Thus, even if preliminary discussions occur in Washington, it is essential that mission support is sought early in the process. If an alliance is supported by the mission, then USAID and the partnering organizations will work to develop agreement on the desired outcomes, inputs, roles and responsibilities of each partner. These often result in non-binding Memorandums of Understanding (MOUs) but can take other forms as well, including cooperative agreements or grants. There must be a firm commitment by the partnering organization to move forward before USAID will obligate funds.

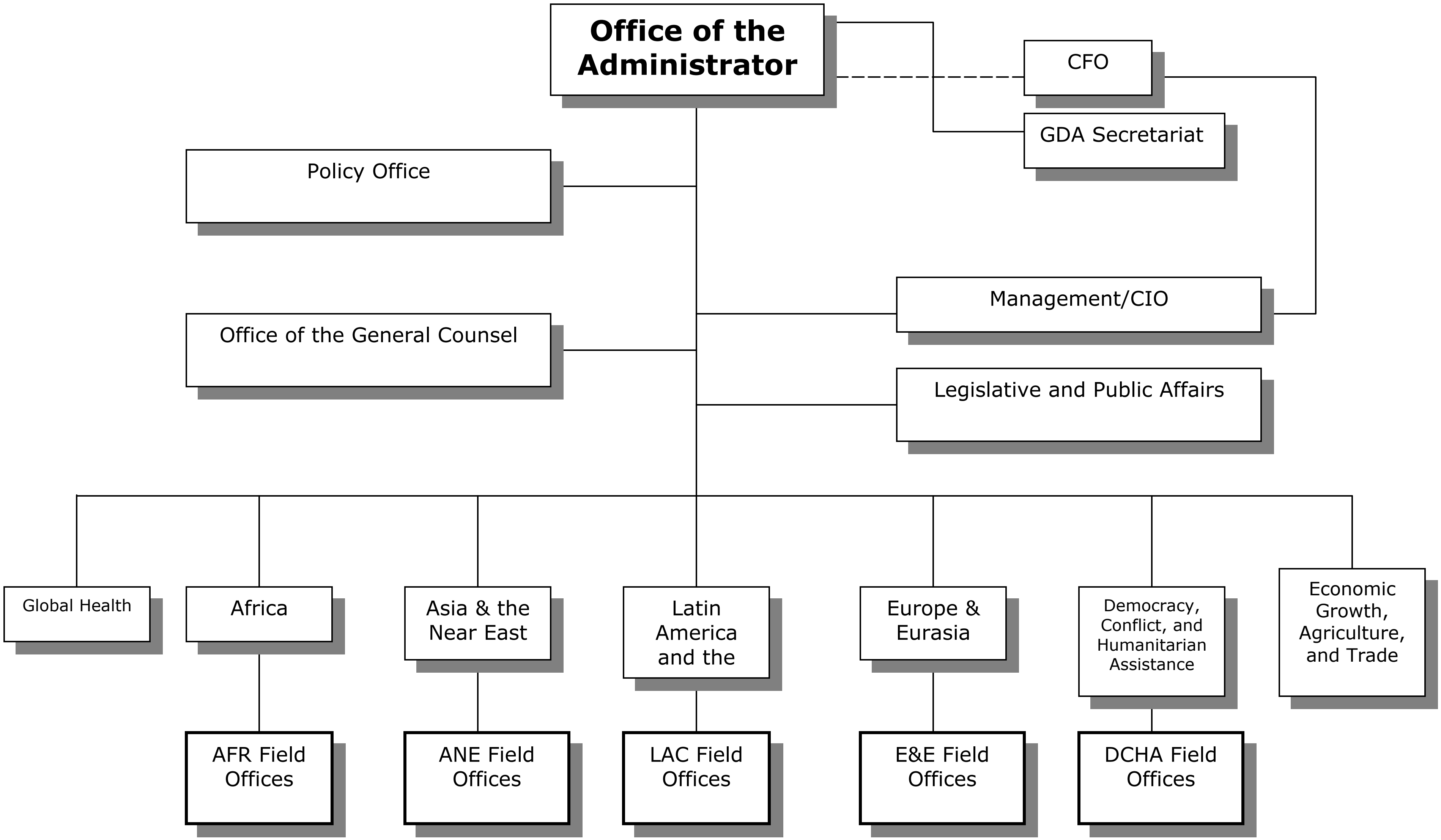
An illustrative list of private sector partners is attached. This list includes private businesses, foundations and trade associations, and is not meant to be exhaustive. For more information on USAID's Public-Private Alliance model and the GDA Secretariat, please visit our website at www.usaid.gov/gda or contact the GDA office at (202) 712-4418.

Private Businesses
Abbott Laboratories
AlphaSmart
American Express
Amiran Ltd.
Archers Daniel Midland
Aveda
Aventis
Bajaj Auto Limited (BAL)
Barry-Callebaut
BASF
Bayer
Becton, Dickinson, & Co.
Boyd Coffee Company
British Petroleum (BP)
Cadbury Schweppes
Caja Popular Mexicana
CALTEX Philippines
Cargill
Cascadia Forest Goods
Caterpillar International
ChevronTexaco
Chiquita
Cisco Systems
Citigroup
Coca Cola
Colgate-Palmolive
Covington and Burling
D&S Gelfuel Limited
DeBeers
ECOM
Edelman Worldwide
Egyptian Natural Gas Holding Company
Energy Conversion Devices (ECD)
Ernst & Young
Evenson Dodge
Exportimo/South Cone Trading
Felton International
Fitch Rating
General Mills
Gibson
GlaxoSmithKline
Goldman Sachs
Good Coffee Company
Green Mountain Coffee Roasters
Heinz
Hershey Foods
Hewlett Packard
Honest Tea
IBM
IKEA
International Specialties, Inc.
Intervet International

Private Businesses
Java City
Johnson and Johnson (J&J)
Kraft Foods
Levis Jeans
Liz Claiborne
Lucent Technologies
M&M/Mars
Masterfoods
Maxygen Inc.
McKinsey & Company
Merck & Co.
Microsoft Corporation
Millstone
Mirant
Monsanto
Morton Salt Company
Motorola
MTV International
Nestle
Neumann Kaffee Gruppe
Nokia
North American Wood Products
Oderbrecht
Orange
PADCO
Pfizer
Procter & Gamble
Roche Vitamins
Royal Ahold, Inc.
Royal Cup
Schaffer and Associates
Schering-Plough
Scimedx Corporation
Shell Petroleum Development Company of Nigeria, Ltd.
Starbucks
STIHL Brazil
Sun Microsystems
Tata Iron & Steel Company Limited
The Bank of Brazil
The Gap
The Home Depot
Timberland
Trojan
Uganda Pharmaceutical Manufacturers
Unilever
Viacom
Visa International
Westwood One Radio Network
Wyeth
Yahoo
Young and Rubicam

Foundations
Aga Khan Foundation
Amy Biehl Foundation Trust
Bill & Melinda Gates Foundation
Case Foundation
Charles Stewart Mott Foundation
Conrad N. Hilton Foundation (CNHF)
David and Lucile Packard Foundation
Elizabeth Glaser Pediatric AIDS Foundation
Eurasia Foundation
Ford Foundation
GE Fund
German Marshall Fund of the United States
Gillette Foundation
Henry J. Kaiser Family Foundation
Humane Society of the US
International Youth Foundation (IYF)
J.M. Kaplan Fund
John D. and Catherine T. MacArthur Foundation
Kellogg Foundation
Levi Strauss Foundation
Lincy Foundation
Lions Club International Foundation
Robert Wood Johnson Foundation
Rockefeller Foundation
Rotary International
Soros Foundation
Wellcome Foundation
William and Flora Hewlett Foundation

Trade Associations
American Forest and Paper Association
Chocolate Manufacturers Association
Colombian Chamber of Commerce
Confederation of Indian Industry
Confederation of Mozambique Business Associations
Guinea Chamber of Mines
Indian Chamber of Commerce
Information Technology Association of America
International Private Water Association
The International Textile, Garment and Leather Workers' Federation
The World Information Technology and Services Alliance
Uganda Coffee Trade Federation
US Halal Chamber of Commerce
World Chlorine Council
World Cocoa Foundation
World Council of Credit Unions


Office of the Administrator
CFO
GDA Secretariat
Policy Office
Management/CIO
Office of the General Counsel
Legislative and Public Affairs
Global Health
Africa
Asia & the Near East
Latin America and the
Europe & Eurasia
Democracy, Conflict, and Humanitarian Assistance
Economic Growth, Agriculture, and Trade
AFR Field Offices
ANE Field Offices
LAC Field Offices
E&E Field Offices
DCHA Field Offices

Appendix VII
Guidance Memorandum on Solicitations

MEMORANDUM
TO: Deputy GC
FROM: GC/LP, GC/G
SUBJECT: USAID solicitation campaigns for Agency Programs or the Foreign Assistance Programs of Other Entities

ISSUE: Whether it is permissible for USAID officials to engage in solicitation campaigns seeking contributions to USAID or other organizations for development projects or activities from individuals, foundations and U.S. based corporations.

CONCLUSION: Such solicitation campaigns are permissible, but only if a number of conditions are met. In the absence of a specific USAID procedure for solicitation campaigns, we advise that the USAID officials take certain steps to avoid potential conflict of interest problems.

This memorandum provides initial guidance regarding solicitation campaigns from a legal perspective, but ideally ADS guidance would be developed to reflect both legal requirements and USAID policy considerations.

EXCLUSIONS: This memorandum does not apply to donor coordination[11] or requests for cost share or matching fund contributions[12], and in general does not apply to instances where USAID does not initiate the fundraising activity.

USAID employees would not need to follow the procedures outlined in this memorandum if they are coordinating assistance or contributions of goods and services with other donors, both governmental and private. For example, a health officer in the field could coordinate with other donors for the provision of commodities to a health clinic without following the procedures outlined herein.

In general, this memorandum does not apply to instances where a USAID employee is contacted by a potential donor about contributing to a USAID program or asks for USAID's guidance on how to spend its funds in a particular country or region. Rather, this memorandum addresses situations in which a USAID official plans to contact potential donors in a solicitation campaign. There may be instances where it is difficult to ascertain whether USAID or another donor initiated the fundraising efforts. Questions regarding the applicability of this memorandum to a particular situation should be directed to GC.

DISCUSSION: As a general rule, specific authority is needed for government officials to solicit funds. This is reflected in the government-wide Standards of Conduct for Employees of the Executive Branch that permit fundraising in an official capacity if, in accordance with statute, Executive Order, regulation or otherwise as determined by the agency, the employee is authorized to engage in fundraising as part of his or her official duties. [13] For government officials to solicit contributions for a particular project or activity, the agency must determine whether it has the authority to do so and whether such fundraising activities are appropriate. Once these points are confirmed and it is clear that the

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[11] See Donor Coordination Strategies, http://www.usaid.gov/pubs/ads/200/200sad.doc.
[12] See ADS 303.5.10, E303.5.10, 303.5.10a and E303.5.10a and PVO Cost Sharing Policy, http://www.usaid.gov/pubs/ads/200/updates/iu2-3.pdf.
[13] 5 C.F.R. 2635.808 (b).

fundraising is part of the government employee's official duties, we recommend that such activities be formally approved by the Agency pursuant to the procedures outlined below.

USAID has the authority to solicit contributions on its own behalf under its gift authorities, Section 635(d) of the Foreign Assistance Act of 1961, as amended ("FAA"), and Section 25 of the Department of State Basic Authorities Act of 1956, as amended, 22 U.S.C. Section 2697.[14] In addition, USAID officials have the authority to engage in fundraising for USAID or others under certain provisions of the FAA which establish U.S. policy to encourage the participation of the private sector in the development process.[15]

There are a number of conditions on such fundraising. They include: (a) the agency may not solicit contributions for the travel expenses of Government employees; (b) a solicitation must be for funds to be used in connection with the agency's authority (e.g., funds solicited under the FAA must be used for agency programs or the foreign assistance programs of other organizations); (c) <u>a solicitation must be structured to avoid any appearance that a contributor will receive preferential treatment in its dealings with USAID (or would face any kind of discriminatory treatment if it declines to contribute)</u>; and (d) the solicitation must not include covert or deceptive activities (emphasis added)[16].

In order to meet these conditions, especially (c), we recommend that USAID officials take certain steps to avoid potential conflict of interest problems. The State Department procedures described in Attachment A provide a basis for such steps. However, the State Department procedures have been modified because USAID, unlike State, has business relationships with a large number of entities through USAID's acquisition and assistance programs and because the Agency actively seeks to promote private sector involvement in development through the Global Development Alliance.

General Guidance and Suggested Actions for USAID Officials Undertaking Solicitation Campaigns

(i) Potential donors

Participation should be as inclusive as possible and offered to a large number of entities in a given category to avoid showing preference to one or more firms. Any solicitation should note the effort to gather support from a broad number of firms, institutions, or persons.

(ii) Types of donors

<u>Foundations</u> – As a general matter, foundations are part of the donor community. Therefore, solicitations of foundations are not problematic from a conflicts perspective because of the nature of their work and the fact that a typical foundation is not seeking any business, benefit, or assistance from the USG. In many cases we are already working with certain foundations as partners on development projects.

However, certain foundations may be related to companies or other entities, and that relationship may pose conflicts issues. For those foundations, a review should be made to ascertain how the foundations are structured and how decisions to fund certain projects are made in order to assess possible conflicts.

<u>Fortune 500 Companies</u> – To the extent that USAID does business with these companies, more than likely it accounts for only a small percentage of their income. For that reason, from a conflicts perspective, solicitations of these companies are not generally problematic if

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[14] <u>See</u> ADS 628.5.1 and E628.5.1.

[15] <u>See</u> FAA Sections 102(a), 102(b)(8) and (9), and 601(a); and GC Opinions: FAA Section 635, No. 78 (GC/LP, Miller, April 7, 1997) and GG/Archives (GC/EPA, Miller, October 9, 1991).

[16] GG/Archives (GC/EPA, Miller, October 9, 1991).

a basic conflicts analysis is completed prior to the solicitation and the solicitation is made to a wide number of companies. Companies in a particular sector may require additional analysis because of the direct connection between the activity for which funds are being raised, USAID's activities in a particular area, and these companies. For example, if USAID were soliciting contributions for an HIV/AIDS activity, pharmaceutical companies would require additional conflicts analysis due to their direct connection with USAID's HIV/AIDS activities.

Other USAID Contractors and Grantees – If solicitations are made to this group, a significant conflicts analysis must take place to insure that there is no appearance that the gift is offered with the expectation of obtaining advantage or preference in dealing with USAID, especially for firms and non-profits who receive substantial USAID funding (i.e., when USAID is a major customer or donor).

(iii) The Soliciting Official

In addition to avoiding organizational conflicts at the Agency level, care should be taken, when conducting solicitation campaigns, to avoid creating conflicts for individual employees between their solicitation activities and other official duties. To avoid an appearance of conflict, USAID officials engaged in fund-raising campaigns should not solicit contributions from persons or organizations that have financial interests that may be substantially affected by the performance or non-performance of the soliciting official's other duties. An employee's other duties should be taken into account as part of a decision to assign the individual to a fund-raising campaign. Any potential conflicts should be noted in the action memorandum along with measures taken to eliminate or mitigate them.

Similar conflict issues can also arise in situations where the Agency engages a contractor to conduct a solicitation campaign. Agency officials engaging a contractor to handle a fund-raising campaign should consider the potential for conflicting roles that may create appearance problems and take steps to mitigate such conflict. It is recommended that such contract include the standard AIDAR Clause 752.209-71.

(iv) Approval of the solicitation

For all solicitations, we advise that an action memorandum be prepared to document the decision to solicit funds from certain entities. The action memorandum should include information on the following: (1) amount of money to be raised; (2) who will receive the money (USAID or another entity); (3) potential donors; (4) methods of raising money (e.g., mail, telephone calls); (5) who will do the soliciting; (6) availability of alternative funding sources; (7) the importance to the USG of the proposed project; and (8) the planned text of the fundraising "pitch," if available (the "fundraising script"). At either the time of approval of the action memorandum or initiation of the campaign, the text of the fundraising script should be finalized with LPA and GC approval.

It is an Agency policy decision to identify the level at which approval of such action memoranda should be made. Given the potential risks involved, we would advise that it be done at the AA level. In addition, given the public affairs aspect of a solicitation campaign and the potential conflicts issues, we also would advise that the memorandum be cleared at appropriate levels by LPA and GC. In addition, we would advise that when clearing or approving the action memorandum, each Agency official should employ a test balancing the policy interests in favor of fundraising against the potential risks to the Agency.

(v) Maximum amount of donation from a single donor

The State Department does not usually accept more than $200,000 from a single donor for a specific campaign. In some circumstances, it may be appropriate to consider a maximum contribution that will be sought from a single donor. Because of the policy interests involved in furthering the Global Development Alliance, however, we do not propose a maximum contribution limit.

(vi) Implementation and Oversight

Once a solicitation campaign has been approved, the implementing office must ensure that the solicitation campaign is implemented in accordance with the action memorandum. The implementing office also should continue to consult with LPA and GC on public affairs and legal issues, including reviewing any conditions to donations (discussed below), and determining the appropriateness of the institution to receive funds and the type of financial instruments that will be used.

(vii) Conditions on donations

Donors may seek to impose conditions on their donations, and USAID can accept conditional gifts. However, it is difficult to anticipate these conditions when beginning a solicitation. It is up to the official with authority to accept the gift to determine whether the conditions can be agreed to given the type of conditions, administrative burden, donor, size of donation, and other considerations.[17]

The accepting official should document the decision as to whether USAID accepts the conditions and inform the donor. There also will be responsibility to implement procedures to ensure the conditions are respected. Conditions regarding memberships on boards of directors of private entities raise special considerations and should be reviewed with extreme care.

(viii) Receipt of Donations

Donations for USAID must be received by USAID for deposit in the USAID donation trust account. Such funds are subject to apportionment in the budget process. USAID cannot contract for an agent to receive funds on USAID's behalf.

(ix) Solicitations for entities other than USAID

For solicitations of donations to entities other than USAID or alliances of entities, the action memorandum described above in "Approval of the solicitation" should include additional information to assist the clearance/approving officials in determining whether it is appropriate for USAID officials to solicit donations on behalf of such entity. For example, we recommend that detailed information be included about the entity, along with an explanation of why it is appropriate for USAID to seek contributions on the entity's behalf, or on behalf of an alliance. USAID may need to develop disclaimers when soliciting contributions on behalf of other entities so that contributors do not view USAID as guaranteeing proper operation of the recipient entity.

[17] See ADS 628.5.1.

Appendix VIII
FY2003 GDA APS

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
ANNUAL PROGRAM STATEMENT
APS No. GDA-03-001

PUBLIC PRIVATE ALLIANCES
IN
A) AGRICULTURE
B) ANTI-CORRUPTION/GOVERNANCE/CIVIL SOCIETY STRENGTHENING
C) CONFLICT/ RELIEF AND HUMANITARIAN ASSISTANCE
D) ECONOMIC GROWTH AND TRADE CAPACITY BUILDING
E) EDUCATION
F) ENVIRONMENT/ENERGY
G) HEALTH
H) INFORMATION TECHNOLOGY

Issuance Date: November 4, 2002
Closing Date: September 30, 2003

This program is authorized in accordance with Part I of the Foreign Assistance Act of 1961 as amended.

Ladies/Gentlemen:

The Global Development Alliance Secretariat of the United States Agency for International Development (USAID) invites interest from prospective partner organizations to form public-private alliances to carry out activities in support of USAID's international development objectives. Alliance partners are expected to bring significant new resources, ideas, technologies, and/or partners to address development problems in countries where USAID is currently working. Partners could include a wide range of organizations such as: foundations, U.S. and non-U.S. non-governmental organizations (NGOs), U.S. and non-U.S. private businesses, business and trade associations, international organizations, U.S. and non-U.S. colleges and universities, U.S. cities and states, other U.S. Government agencies, civic groups, other donor governments, host country governments, regional organizations, host country parastatals, philanthropic leaders including venture capitalists, public figures, advocacy groups, pension funds and employee-welfare plans, etc. Successful proposals will bring at least a 1:1 resource matching to focus on priority development activities within USAID's manageable interest.

Program Eligibility Criteria

To be considered for funding under this APS, proposed programs must meet the following requirements:

1. Alliance proposals must have clearly-defined objectives that have been agreed to by the partners.
2. Alliance proposals are expected to demonstrate significant new, non-federal resources – whether money, ideas, technologies, experience and expertise – to address international development problems.
3. Alliance proposals must address the development needs of one or more countries in which USAID is currently working. Alliances that operate in countries where USAID

has a field presence will be given priority. However, consideration may be given to alliances that seek to operate in countries where USAID does not have a field mission.

4. Alliance proposals must contribute to one or more of the Agency's high priority sectoral and programmatic objectives.
5. Alliance proposals must offer promise of significant development impact, as measured, for example, by the number of direct and indirect beneficiaries of the program, and/or by the potential for replication or scaling-up over time.
6. Alliance proposals must appear feasible from a technical, economic, financial, and social perspective.

It is expected that programs may last from 12 to 36 months. Priority will be given to proposals that can be launched rapidly. There will be a minimum grant size of $100,000. USAID will not provide funds under this APS for products and services that would be purchased through a contract.

Leverage

GDA alliances are expected to bring significant new, non-federal resources – whether money, ideas, technologies, experience and expertise – to address international development problems. ***To qualify for USAID funding under this APS, an alliance must demonstrate that partners are able and willing to collectively contribute significant resources to the proposed program that are at least equal to the level of resources sought from USAID***.

Further, it must be shown that these resources, in combination with the support sought from USAID, will provide the alliance with a comparative advantage in meeting the goals and objectives of the proposed program.

It is this expectation of significant leverage of non-federal resources in combination with joint planning and sharing risks and benefits, that defines the public-private alliances under the GDA as distinct and different from those activities USAID has previously supported. ***This APS is not intended to yield additional traditional grant relationships.***

Tier One: Concept Paper Stage

Concept papers must be strictly limited to no more than five pages in length using 12- point font. Concept papers should be sharply focussed, technically sound, and demonstrate a clear sense of the applicant's key objectives and ability to carry out the program. Concept papers should address the following:

- Key objectives of the alliance;
- Leveraging, such that the value of non-federal resources provided by alliance partners is equal to or exceeds levels of resources sought from USAID; description of resources to be provided by partners and approximate value;
- The number and types of beneficiaries that will benefit from the alliance activity;
- Program strategy to achieve those results;
- The role of all alliance partners, and demonstration of commitment or interest by prospective alliance partners; and
- Budget that identifies the total estimated cost of the program with a breakout of major expense categories (up to half a page; no proprietary cost information such as indirect cost rates should be submitted at this stage).

Tier Two: Proposal Stage

A favorable evaluation of the concept paper in the tier one review does not automatically imply USAID funding. The applicant will be asked to then submit a more detailed submission limited to 25 pages single-spaced using 12-point font. Full proposals will undergo a comprehensive evaluation using the factors described in Section IV below, including the submission of the following information, as well as any additional requirements specifically requested by the prospective USAID partner Bureau or Mission. The alliance will be notified of specific requirements, in addition to those listed below in the invitation to submit a full application. Invitations for full proposals will be sent 30 days after the deadline for receiving concept papers.

Full Application Instructions:

All applications must be made by completing the items below, including the attachments where requested. Note page limits.

The length of the application should not exceed the following page limits:

- Budget Information (Standard Form SF-424 and supporting narrative; see http://www.usaid.gov/pubs/ads/sfforms.html): No limit
- Executive Summary: 2 pages
- Body of Proposal: 25 pages
- All Attachments: 15 pages

The proposal should include the following information:

- Table of Contents listing all page numbers and attachments
- Executive Summary
- Program Description
- Goal and Objectives
- Background/Problem Statement
- Explanation of partners and their expected roles including other resources brought to bear (leveraging)
- Proposed Interventions/Technical Approach
- Expected Impact
- Duration of Activity
- Role of USAID (e.g., facilities, equipment, material, or personnel resources)
- Letters or other forms of communication (emails) demonstrating partner intent to participate and, where applicable, interest from USAID country mission(s)
- Detailed budget and financial plan with major line items, identification of funding source (i.e., by partner) for each, and a narrative description of what the resources will be used for
- Relevant Organizational Experiences of Recipient and Key Partner Organizations
- Implementation Schedule

In addition to the narrative described above the proposal should include as attachments:

- A draft letter of intent/memorandum of understanding, which describes roles, responsibilities and contributions of each of the alliance partners.
- Curriculum Vitae for Key Staff

The annexes may also include relevant information about alliance partners including documentation of intent to participate by other partners.

Appendix VIV
GDA Language in Solicitations

Public-Private Alliance Solicitations: Issues and Some Initial Examples

As noted in the M/OAA (previously M/OP) FAQs, there is no set method for designing such solicitations, but there are a variety of items one should consider in designs. First, one needs to determine whether a request for applications will be limited to only those that include alliances and whether there be a set limit on the amount of leveraging to be included in applications. Secondly, one should indicate in the solicitation the type of information applicants need to submit in support of the alliance portion (e.g. signed memoranda of understanding from proposed alliance partners, information on the responsibility and reputation of alliance partners, etc.) Thirdly, one needs to indicate the method in which potential alliances will be evaluated (e.g. feasibility of the alliance, broader programmatic impact with alliances, etc.). Finally, one needs to indicate the manner in which leveraging needs to be demonstrated (e.g., memoranda of understanding, a traditional cost-share/matching approach, inclusion in overall program budget with anticipated timeframes for leveraging inputs and programmatic impacts associated with leveraging, etc.) One also needs to be mindful of the revised guidance on cost-share/matching as found in AAPD 02-10. The above is not intended to be an exhaustive list, but rather examples of base information that should be in solicitations.

There have been various solicitations to seek applications with public-private alliances, such as the GDA Education RFA, the GDA APS and the Mali RFA. Please keep in mind that each of these was a first time attempt to incorporate public-private alliances into solicitations. We are still gathering lessons learned from these experiences, but are sharing the relevant portions of these early examples for operating units to build upon. When building upon these samples, it is important that one address the various points noted above. Sample portions from the GDA Education RFA, the GDA APS and the Mali RFA are attached as building tools.

Example A:
FY2002 GDA Education RFA

FY 2002: PUBLIC-PRIVATE ALLIANCE IN EDUCATION
Global Development Alliance

The United States Government, as represented by U.S. Agency for International Development (USAID), Global Development Alliance Secretariat (GDA), seeks applications from foundations, U.S. and non-U.S. non-governmental organizations (NGOs), individual U.S. and non-U.S. (including multinational) private businesses, banks and other financial institutions), business and trade associations, international organizations including international financial institutions, U.S. colleges and universities, U.S. cities and states, other U.S. Government agencies, civic groups, other donor governments, host country governments, regional organizations, host country parastatals, philanthropic leaders including venture capitalists, public figures, advocacy groups, pension funds and employee-welfare plans. Applications are sought to address priority needs for education in lesser-developed countries. Sustainable programs that are built around critical education needs of lesser-developed countries, which demonstrate significant leveraging of non-federal resources and are presented jointly by more than one potential partner, will receive greatest attention. This RFA is issued under the authority of the Foreign Assistance Act of 1961, as amended. USAID plans to enter into a Cooperative Agreement with the selected partner(s) that meet the requirements of this RFA and that promise the greatest return on investment. The type of organization selected will impact the applicable regulations and policies to be used in the Cooperative Agreement award, i.e., for U.S. non-profit, 22 CFR 226 and USAID Standard Provisions will apply.

USAID reserves the right to fund any or none of the applications submitted in response to this RFA. The award will be made subject to the availability of funds.

All applications must address the items below, including attachments where requested. Reference to "Applicant" in this RFA is intended to mean the various organizations that constitute the proposed education alliance. The Evaluation Criteria in Section III may be used as a checklist to ensure that **ALL** criteria are covered in the application. Section D, below, provides more information on specific components.

(a) Required components for all education alliance applications:

- Application Summary
- Executive Summary
- Overview of the Applicant
- Program Description
  Situational Analysis
  Rationale for Program Approach
  Specific Program Objectives, Interventions, and Activities
  Performance Measurement
- Program Management and Structure
  Organizational Structure
  Human Resources
  Contingency and Security Planning
  Financial Management
  External Program/Project Evaluations
  Work Plan
- Budget and narrative, including Standard forms 424 and 424A (forms can be downloaded from the Internet: http://www.usaid.gov/procurement_bus_opp/procurement/forms/)

(b) Required Attachments:

- Organigram with names and positions of program relevant staff or indicate "to be recruited" where applicable.
- Brief resumes or bios of program relevant staff and position descriptions of staff "to be recruited".
- A draft Memorandum of Understanding which lays out the proposed roles, obligations, resources, and responsibilities of each member of the alliance including USAID.
- List of all contracts, grants, or cooperative agreements involving similar or related programs over the past three years. This should include the location, current telephone numbers, points of contact, award numbers if available, and a brief description of the work performed.

III. EVALUATION CRITERIA

All applications that meet program requirement instructions and are prepared according to the instructions in the RFA will be evaluated based on the evaluation factors listed below. The Review Panel will be composed of GDA staff, other staff members from USAID offices with related interests and appropriate expertise, and possibly specialized technical reviewers from outside the Agency. Decisions are made based only on the information included in the application with the exception of information obtained through USAID's investigation of alliance partners to satisfy due diligence concerns and to consider past performance of the Applicant.

The following two factors (A. Program Planning, Feasibility, and Sustainability, and B. Partnership and Resource Leveraging) represent the evaluation criteria to be used in the evaluation of applications; both factors are relatively equal in importance. Subfactors are provided for additional clarity, but are not listed in any order of priority.

While the amount of funds being leveraged and the strength of the alliance is a strong component of the GDA framework, the technical merit and sustainability of any program remains a vital consideration. Selection of the awardee (and alliance overall) will be based on the overall impact of the program in total.

A. Program Planning, Feasibility, and Sustainability

- Situational analysis, problem statement and rationale for technical interventions are clear and compelling.
- Program objectives and proposed activities are clear, results oriented and attainable during the life of the program.
- Technical approach/activities and assessment plans are sound.
- Sustainability plans are viable. Plans include objectives and indicators.
- The Applicant has the potential to reach a significant number of new beneficiaries with new or improved services.
- The program has potential for replication or scale-up.
- The program has the potential to generate tangible results by the end of the agreement and the results are verifiable, measurable and consistent with the expected outcomes.
- The program increases equitable access to, and use of services by, under-served and disadvantaged groups and segments of the population, including girls and women

B. Partnership and Resource Leveraging

- The organization, with proposed alliance partners, has the potential capacity to take on an education program as detailed in the proposal.
- The project has the potential to result in strengthening local partners and partnerships.
- The approach draws on expertise, funding, and other resources from a wide array of organizations to ensure a well-rounded program with far-reaching results.
- Draft MOU clearly delineates risks and contributions of all proposed alliance partners.
- Proposed management structure is suitable for the implementation plan.
- Partner(s)' past performance provides clear indication of knowledge and ability to succeed.
- Substantial leveraging of non-federal resources.
- Budget and/or narrative demonstrate partners' participation in planning.
- Ability to secure non-federal resources well documented.

Appendix X
Sample Solicitation Alliance Language: Mali

In recognition of the many changes in today's development assistance environment, and in the context of USAID's new Global Development Alliance (GDA), USAID/Mali strongly encourages (but does not require) the formation of public-private alliances in the implementation of its programs. Official U.S. Government assistance now accounts for only a minority share of the flow of resources from the United States to developing countries. Foundations, private companies, non-governmental organizations (NGOs) and others entities have become increasingly active in financing development efforts in West Africa and elsewhere, and they are often looking for synergies with other similar programs.

The U.S. Government believes the pending solicitation may offer just such an opportunity and is therefore specifically requesting comment on the feasibility of possible public-private partnerships for this activity.

Organizations reviewing the draft Solicitation and considering submitting proposals in response to the final Solicitation when issued are specifically encouraged to comment now on potential public-private alliance approaches. By "public-private alliance" USAID means proposals with material and significant non-federal resources offered in their proposals, in order to more fully address the development challenges in Mali as outlined in the solicitation. One criteria that the GDA Secretariat uses to define a "public-private alliance" is a least one-to-one leveraging of USAID's resources with additional non-federal resources. While it is not possible to apply this standard to all activities to be funded by USAID/Mali, it is preferable whenever possible. Potential offerors are strongly encouraged to think innovatively and creatively about ways to draw forth significant non-federal resources, be they in cash or in kind, and to incorporate commitments to such resources into their proposals to USAID. Public-private alliances are expected to bring together a coalition of organizations and individuals who will jointly define a problem, situation, and solution, thereby capitalizing on the combine knowledge, skills and expertise of all partners.

This RFA in no way obligates USAID to award a contract nor does it commit USAID to pay any cost incurred in the preparation and submission of a proposal. Notifications of receipt and questions concerning this RFP must be directed to the Contracting Officer via either the internet email address or facsimile numbers listed above.

Sincerely,

Regional Contracting Officer

USAID/Mali continued:

L.9 INSTRUCTIONS FOR THE PREPARATION OF THE COST PROPOSAL

(a) Each offeror shall provide a budget in the same format and content as stated in Section B. Supporting information should be provided in sufficient detail to allow a complete analysis of each of the costs proposed. This is to include a complete breakdown of the cost elements associated with any subcontract.

(b) If the contractor is a joint venture or partnership, the business management proposal must include a copy of the agreement between the parties to the joint venture/partnership. The agreement will include a full discussion of the relationship between the firms including identification of the firm which will have responsibility for negotiation of the contract, which firm will have accounting responsibility, how work will be allocated, overhead calculated, and profit shared, and the express agreement of the principals thereto to be held jointly and severally liable for the acts or omissions of the other. (**NOTE:** Public Private Partnerships. A partnership is not simply an expression by an offerors of its intention to seek third party partnerships that are not yet formed. Evidence of public-private partnership commitments and roles must be articulated in the form of agreement document(s) signed by authorized corporate agents/officers of all parties involved.)

COST SHARING. "Cost- sharing" means the application presents cash from non-US Federal sources which the offeror will use in the performance of the award. "Matching-Arrangement" means the application presents cash from non-US Federal sources which will be provided at a set ratio (e.g. for every 2 dollars USAID obligates the recipient will provide 1 dollar.) "In-Kind Contribution" means the donation of tangible property (such as computers, medical and lab equipment, intellectual property rights, technology transfer, but excluding real) or services (such as rent, utilities, etc.) provided by the recipient to the Government.

Appendix XI
Due Diligence Guide

Due Diligence for Private Enterprise

Listed below are the four essential areas for investigation — corporate image, social responsibility, environmental accountability and financial soundness — that comprise the minimum requirements for responsible due diligence. Since due diligence is such a crucial part of the partnering process, serious attention must be given to the topic before embarking on a strategic alliance. Therefore and where possible, it is recommended that a more comprehensive due diligence investigation be undertaken to enable the Agency to make the right decision on whether to partner with a particular firm. The GDA Secretariat can assist Agency operating units to conduct due diligence using a database developed and maintained by Calvert Social Research also known as ICIT.

Remember, though, that it may not be necessary to investigate every possible avenue of consideration. For most transactions you might consider, it would be too costly and too time consuming. Particularly for small alliances, too much due diligence can kill the transaction. The guide is meant as a menu of items to choose from. Use the menu to select what you want to investigate and what you will overlook. Make conscious and informed—not random—decisions of the possible lines of investigation. A way to do this is to develop a due diligence strategy considering the following factors:

1. What's important to the Agency? What isn't?
2. Which problems will be costly? Which ones will be minor?
3. Where are you likely to find problems? Where are you unlikely to find problems?
4. What is the type of transaction you are expecting? How large or small is the transaction? How complex? What will the investigation cost in time and in money?
5. What is the risk to the Agency if the unexpected causes the transaction to go bad?
6. How much time do you have? What do you have to lose by delay? What does the potential partner have to lose? How badly does the Agency need the alliance? How badly do the potential partners?

<u>Practical tools for obtaining due diligence information</u>
Note first that the GDA Secretariat subscribes to the *Inter-Agency Corporate Information Tool*, a database developed by the World Bank and UN agencies that already contains extensive reviews for thousands of companies. It is managed by Calvert, one of the pioneers of socially responsible investing. If a particular company is not already in their database, they will conduct a new search for an additional modest fee. Contact the GDA Secretariat if you wish to make use of this important service.

In addition, there are a number of business-oriented resources available that can help you find answers to the questions below. Dun & Bradstreet reports primarily on publicly-traded companies, while coverage of private companies may be limited. The SEC provides basic corporate and financial information on US companies with more than $10 million in assets and at least 500 shareholders. A Lexis-Nexis search can be used for gathering news stories about a company within a specific timeframe. This may be a good place to start when researching private companies.

To order a report by Dun & Bradstreet or conduct a Lexis-Nexis search, contact the librarian at USAID's Center for Development Information and Evaluation (CDIE).

A number of "watchdog" organizations also provide information on companies. However, be aware that such information may reflect a particular point of view and require appropriate filtering. One group, CorpWatch, provides hyperlinks to other sites in a step-by-step guide to researching backgrounds of companies. Other groups include Corporate Watch (the UK's version of Corpwatch), the Public Information Network, Public Citizen, Corporate Governance, CSRWire, CSR Forum, and Business Ethics.

In addition, there are a number of other organizations that charge a subscription fee for information that the GDA Secretariat or CDIE may be able to access.

Essential areas of investigation:

A. Corporate image
   1. What is the company's public image? Have there been any tensions between the community and the company?
   2. Has there been anything in the media that would reflect negatively upon the company? If so, how has the company dealt with significant negative publicity?
   3. Are there any pending lawsuits against the company?
   4. Is the company looking *solely* for PR opportunities by aligning itself with USAID?
   5. Is the company only or primarily looking for procurement opportunities or money from USAID?
   6. Is the company willing to engage with USAID in a transparent manner without expecting an exclusive relationship (i.e., barring competitors)?
   7. Is the company willing to accept limitations on the publicity (i.e., press and media coverage) of the alliance so as to ensure that USAID is not perceived to be endorsing the company or its products and services?

B. Social responsibility
   1. Is the company primarily involved in the manufacture or sale of firearms or narcotics, i.e., involvement in these activities constitutes a significant share of company's total portfolio?
   2. Does the company have a good reputation (no serious red flag issue areas), especially in areas of corporate social responsibility (CSR)? In the case of new companies or companies with past CSR troubles, are they committed to instituting/improving a sound CSR policy?
   3. Does the company have policies barring harmful child labor or forced labor?
   4. Does the company have a non-discrimination policy governing the hiring and promotion of minorities, women?
   5. Is the company accepting of unions or attempts to organize a union?
   6. Does the company have a health and safety action plan for workers, including the handling of hazardous materials and the prevention of environmental accidents?
   7. Does the company have a policy for codes of conduct, labor standards?

C. Environmental accountability
1. Does the company collect and evaluate adequate and timely information regarding the environmental, health, and safety impacts of their activities?
2. Does the company set targets for improved environmental performance, and regularly monitor progress toward environmental, health, and safety targets?
3. Does the company assess, and address in decision-making, the foreseeable environmental, health, and safety-related impacts associated with the processes, goods and services of the enterprise over their full life cycle? Does the company provide the public and employees with adequate and timely information on the potential environment, health and safety impacts of the activities of the enterprise?
4. Does the company maintain contingency plans for preventing, mitigating, and controlling serious environmental and health damage from their operations, including accidents and emergencies; and mechanisms for immediate reporting to the competent authorities?
5. Does the company continually seek to improve corporate environmental performance, by encouraging, where appropriate, the adoption of technologies and operating procedures in all parts of the enterprise that reflect environmental best practices? Are its products or services designed to have no undue environmental impacts, be safe in their intended use, and be efficient in their consumption of energy and natural resources? Can they be reused, recycled, or disposed of safely?
6. Does the company have a green audit for environmental performance?
7. Is the company ISO certified?
8. Does the company have a natural habitats policy? A forestry issues policy?
9. Is the company free from regulatory lawsuits?

D. Financial soundness
1. Is the company a publicly traded company?
2. Does the company publish an annual report?
3. Does the company have audited financial statements?
4. Has the company been in business for several years?

Due Diligence Guide for Non-Profit Organizations

Depending on the situation and potential partners, some of the questions pertaining to private enterprise may also apply to other partners, while other questions will not be so appropriate. Just as you would for other activities, when contemplating forming an alliance exercise common sense, good judgment, and follow established procedures and guidelines to avoid situations that may result in embarrassment to the Agency or ineffective development investments.

USAID has a long history of working with non-profit partners, and has well established due diligence procedures. The Office of Private and Voluntary Cooperation's Registration Policy sets out the basic areas for you to explore. However, as with private companies and depending on the alliance and USAID's history of working with the particular non-profit, you may need to undertake a more comprehensive due diligence investigation to enable the Agency to make the right decision on whether to partner with that organization.

Appendix XII
Alliance Resource List

Resources and Web Sites on Corporate Social Responsibility

- Business Ethics Corporate Social Responsibility Report: www.business-ethics.com
- Business for Social Responsibility: www.bsr.org
- Corporate Social Responsibility: www.csrwire.com
- The Global Reporting Initiative: www.globalreporting.org
- Global Ethics Monitor: www.globalethicsmonitor.com
- Resources for Promoting Global Business Principles and Best Practices, Michael Kane, EPA: (sample is included on your CD) http://www.undp.org/ppp/library/publications/gbpmaster.pdf
- SustainAbility's searchable database: www.sustainability.com/developing-value
- Calvert Online. Socially responsible investment fund; due diligence research (available through the GDA Secretariat): http://www.calvertgroup.com/
- AccountAbility – institute of social and ethical accountability: http://www.accountability.org.uk/

International Protocol/Voluntary CSR Initiatives

- Global Sullivan Principles of Social Responsibility: http://globalsullivanprinciples.org/principles.htm
- United Nations Global Compact: http://www.unglobalcompact.org/Portal/
- Voluntary Principles on Security and Human Rights: http://www.state.gov/g/drl/rls/2931.htm
- A Role for the Government - CSR Policies in the United States: http://www.csrpolicies.org/CSRRoleGov/CSR_USPolicies/csr_uspolicies.html
- Corporate Social Responsibility – News and Resources: http://www.mallenbaker.net/csr/CSRfiles/definition.html
- From CSR to Social Commitment: A Project of the Italian Government for the EU Presidency: http://www.welfare.gov.it/NR/rdonlyres/ew5zwbqkgswdv7ojdwa6zxll5jrs77i7lpwxqmlklrlxuy5miija57akfwiisniqiixvejs6qmu5bv4aw7j52n6p4jh/dalcsralsocialen.pdf

Business Coalitions and Organizations

- Global Business Coalition on HIV/AIDS: www.businessfightsaids.org
- International Chamber of Commerce: http://www.iccwbo.org/index.asp
- The Millennium Alliance: www.millennium-alliance.org
- Prince of Wales International Business Leaders Forum: www.iblf.org
- United Nations Development Programme: www.undp.org

USAID Documents

- Automated Directives System (ADS) 200-203: http://www.usaid.gov/pubs/ads/
- Guidance on consultation and avoidance of unfair competitive advantage, U.S. Agency for International Development: http://www.usaid.gov/pubs/npi/corerept/npi-anx5.htm

Recommended Readings: Select Books

- The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits, C.K. Prahalad, 2005
- "Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries," Peter Raynard and Maya Forstater in cooperation with United Nations Industrial Development Organization.
- George Soros on Globalization, George Soros
- The Lexus and the Olive Tree, Thomas L. Friedman
- The Guiding Hand: Brokering partnerships for sustainable development, Ros Tennyson and Luke Wild, The Prince of Wales Business Leaders Forum and the United Nations Staff College
- Everybody's Business: Global perspectives on corporate social responsibility, David Grayson and Adrian Hodges
- People and Profits?: The Search for a Link Between a Company's Social and Financial Performance, Joshua Daniel Margolis and James Patrick Walsh
- Business & Sustainable Development, edited by Richard Starkey and Richard Welford
- Meeting the Collaboration Challenge: How Non-Profits and Businesses Succeed Through Strategic Alliances, James E. Austin (See Dr. Austin's Presentation at AID/W, CDIE Summer Seminar, October 8, 2002)
- Developing Value: The Business Case for Sustainability in Emerging Markets, available at www.worldbank.org/publications
- "Putting Partnering to Work", Business Partners for Development. 1998-2000, Tri-Sector Partnership Results and Recommendations.
- "Business & Biodiversity: The Handbook for Corporate Action." World Business Council for Sustainable Development, 2002.
- Empires of Profit: Commerce, Conquest and Corporate Responsibility, Daniel B. Litvin
- Globalization and NGOs: Transforming Business, Government, and Society, Jonathan P. Doh, Hildy Teegen
- Revolution of the Heart: A New Strategy for Creating Wealth and Meaningful Change, Billy Shore of Share Our Strength

Other Readings:

- "Business and the developing world need each other", *International Herald Tribune* Article, Mark Mallock Brown, http://www.iht.com/articles/76583.html
- "International Development Assistance: Taking the Full Measure into the Future" and "America's Helping Hand", *Wall Street Journal* Articles – both by Carol Adelman, Hudson Institute
- CDIE Summer Series, October 8, 2002 PowerPoint Presentation by J. Austin, Author of *Meeting the Collaboration Challenge* and a summary of his book, http://www.pfdf.org/collaboration/challenge/
- Newsweek Article on the Bill and Melinda Gates Foundation
- NPR Transcript with Ted Turner on the growing influence of New Wealth Foundations
- Boston Globe Article – "The World's Business"
- Address by Asst. Secretary of State for Democracy, Human Rights, and Labor, Lorne W. Craner on "Promoting Corporate Social Responsibility Abroad: The Human Rights and Democracy Perspective", http://www.state.gov/g/drl/rls/rm/11405.htm
- "Serving the World's Poor, *Profitably*", *Harvard Business Review on Corporate Responsibility,* C.K. Prahalad and Allen Hammond

- "The Competitive Advantage of Corporate Philanthropy", *Harvard Business Review on Corporate Responsibility,* Michael E. Porter and Mark R. Kramer
- "What's a Business For?" *Harvard Business Review on Corporate Responsibility,* Charles Handy
- "The Virtue Matrix: Calculating the Return on Corporate Responsibility", *Harvard Business Review on Corporate Responsibility,* Roger L. Martin
- "The Path of Kyosei", *Harvard Business Review on Corporate Responsibility,* Ryuzaburo Kaku
- "Can a Corporation Have a Conscience?" *Harvard Business Review on Corporate Responsibility,* Kenneth E. Goodpaster and John B. Matthews, Jr.
- "The New Corporate Philanthropy", *Harvard Business Review on Corporate Responsibility,* Craig Smith
- "From Spare Change to Real Change: The Social Sector as Beta Site for Business Innovation", *Harvard Business Review on Corporate Responsibility,* Rosabeth Moss Kanter
- "Promoting International Worker Rights Through Private Voluntary Initiatives: Public Relations or Public Policy*?" The University of Iowa Center for Human Rights,* Elliot J. Schrage http://www.uichr.org/activities/sponsored/gwri_materials.shtml

Appendix XIII
FAQs: Legal

1. Do we need to follow a formal competitive process to do outreach to potential alliance partners?

No. Looking for alliance partners who will bring their own resources to the alliance is a different proposition than the processes USAID must follow to award Federal contracts or Federal grants for the implementation of alliance-supported programs. However, fairness and transparency should be maintained as overarching principles in conducting outreach efforts and forming alliances. Exploration of possible alliances should take place in a transparent manner and generally should involve wide consultation with possible partners. Particularly in instances in which USAID initiates a proposed alliance, we must be certain that our planning identifies and reaches out to the full range of possible partners, taking into consideration the expected purpose and scope of the alliance. At the same time, we should remember that complexity increases with the number of partners, and make every effort to agree on an alliance whose size and governance structure are manageable. In general, alliances that are expected to include one or more commercial firms should consider offering the opportunity for participation to additional interested commercial firms.

Note that when the plan is for an alliance, once formed, to implement activities of the alliance through a USAID awarded contract or grant/cooperative agreement, USAID must follow contract (Federal Acquisition Regulation) or assistance (ADS 303) rules in connection with the making of such awards.

2. Should a USAID employee who is trying to put together an alliance with private firms be concerned with the application of the Standards of Conduct concerning conflicting financial interests (18 USC 208) if that employee has a financial interest in one of the firms being considered for the alliance?

Maybe, but probably not in most situations. As is always the case in applying 18 USC 208 to a specific situation, the details are very important and the advice of GC or an RLA is helpful. The statute *prohibits an employee from participating personally and substantially in an official capacity in any particular matter in which, to his knowledge, he or any person whose interests are imputed to the employee has a financial interest, if the particular matter will have a direct and predictable effect on that interest.*

So, take the example of a Mission Director in Country X who is trying to facilitate the formation of an alliance among US and local businesses to support youth training initiatives. The alliance will be of the "parallel financing" sort (see discussion below) and will be documented in a broadly stated non-obligating Memorandum of Understanding (MOU) which outlines and coordinates the individual contributions of the various alliances members. That is, while the alliance as a whole will have a coordinated discussion of the development results they are trying to achieve, each alliance member is responsible for spending its own resources for the portion of the alliance's work that they agree to take on. The Mission Director owns stock in one of the US corporations that is a member of the alliance. Does the Mission Director have a conflicting financial interest within the meaning of 18 USC 208? No. We would not consider the MOU to be a "particular matter" within the meaning of the statute because the nature of the MOU is a non-legally binding document that does not obligate USAID funds. Further, it is questionable whether the alliance reflected by the MOU, while being of general benefit to the US corporation (otherwise they would not be a member of the alliance) could be deemed to have a "direct and predictable" effect on the financial interest of the corporation or the employee who owns stock in the corporation.

In a different alliance situation, this analysis might change. For example, if a USAID project officer in Country Y is helping put together an alliance with a single or small group of US firms to help the firms commercialize their otherwise non-commercially viable health products, there might be issues under 18 USC 208 if the USAID officer owns stock in the US firm. For instance, the MOU, rather than a broad umbrella document, might be more specifically focused on the work plan to achieve commercialization and might refer to USAID implementing instruments that will deliver specific assistance to the effort. Thus, the MOU and overall arrangements, even if the MOU itself is a non-obligating document, would need to be evaluated to reach a conclusion as to whether or not it is a "particular matter". Also, since the nature of the alliance is to promote the commercialization of products, the USAID officer's role in arranging assistance for the project would need to be reviewed to reach a conclusion as to whether it has a "direct and predictable effect" on the financial interests of the US firm.

Please consult with GC or your RLA for further advice on this issue.

3. What about organizational conflicts of interest (OCI)?

OCI can occur in situations in which a firm or organization that is involved in the planning or design of a program also could be awarded a contract to implement the same program. Thus, OCI may be an issue when planning collaboratively with alliance partners, if one or more of these partners also has the potential to be awarded a contract (rather than a grant or cooperative agreement) to carry out work under or related to the alliance. In brief, OCI restrictions are not required when outside organizations participate in:

4. Discussions regarding concepts, ideas or strategies, i.e., the stage prior to identifying possible implementation instruments.
5. Discussions regarding ongoing and completed activities (whether under contracts or assistance instruments).
6. Matters involving only assistance (not contract) instruments, both during the competition stage and once the activity is in progress.

In discussions regarding concepts, ideas and strategies, the key question is the extent of association with a specific procurement—e.g., does the discussion of concepts, ideas and strategies spill over into decisions about the implementation instrument to be used and/or details that will be written into the statement of work. OCI does not exist in the abstract. If one cannot identify a procurement that would be compromised by discussions with outside organizations, then there is no OCI under the federal standard.

The overarching principle for both contracts and assistance is fundamental fairness. In contrast to the contract context (which is more heavily regulated by statutes and Agency policies), there are no specific legal or Agency-level restrictions on participation of outside organizations when only assistance instruments (grants and cooperatives agreements) are involved. However, in view of the fairness concern as well as to ensure that the Agency receives the best services or products available, USAID staff who are attempting to put together alliances are encouraged to review assistance competitions case-by-case to consider whether certain restrictions make sense under the circumstances.

GC and OP can provide additional guidance on this subject.

4. **How creative can USAID staff be in putting together alliances?**

Very creative. Many different alliances are described in the GDA Toolkit, many of which reflect real creativity. USAID staff who are attempting to put together an alliance are encouraged to think creatively about what the Agency wishes to achieve under the alliance, who are potential alliance partners, the best way to structure the alliance, and how USAID and alliance partner resources can be used to meet alliance objectives. It is important that USAID staff confer with GC or their RLA early in the design process to discuss viable frameworks and to identify applicable parameters.

5. What governance structure should an alliance have?

This will depend on the purpose of the alliance and decision made by the members with respect to governance arrangements. We have generally discussed alliance structures in terms of two broad categories: (a) parallel financing; and (b) pooled resources.

<u>Parallel Financing</u>
Under this approach, the alliance partners reach agreement on how to work together to address a development problem, with each partner establishing a separate mechanism (e.g., grant, contract) through which to provide resources to support the alliance's work (financial, human, and/or in-kind). The coordination and management of parties' inputs require negotiation of the respective roles and resource contributions of each party. In addition to each alliance member's own funding mechanism, this approach typically involves a Memorandum of Understanding (MOU), letter of intent or similar document among the alliance partners that lays out the common agenda and the specific responsibilities of each party. Though not binding, this document sets forth the intent of the partners to work collaboratively in pursuit of a shared goal. As an MOU does not obligate funds, a bureau or mission official may sign the document. GC or the appropriate Regional Legal Adviser should assist with the negotiation and drafting of the MOU. It will be especially important for USAID and the other parties to the MOU to understand and to the extent possible clarify the anticipated role and type of contribution of each party as well as the process for reaching implementation decisions. In some early stage alliances, the MOU will only generally address these matters. For other alliances that are further along in development, more specific working arrangements can be outlined. In addition, OP also should be involved in the preparation of the MOU if you intend to award a grant or other instrument in support of the alliance. This will require your attention to the question of whether competition is appropriate or an exception to competitive procedures is called for.

In this type of alliance, USAID typically might award a grant or cooperative agreement to an NGO that is supporting or participating in the alliance. There will be situations in which USAID will award a contract for services or goods in support of an alliance (or issue a task order under an existing Indefinite Quantity Contract). Recently, some missions have been exploring how public-private alliance concepts might be incorporated into contract solicitations. However, in general, it is anticipated that USAID will rely significantly on grants and cooperative agreements to provide financial support to public-private alliances.

<u>Pooled Resources</u>
Under this approach, USAID and its partners establish a formal alliance governance structure for the purpose of attracting resources and making joint program decisions. These alliances may involve fairly complex organizational structures and legal documentation. Alliances of this type may involve the formation of a new legal entity, such as a U.S. NGO that secures 501(c)(3) status under the Internal Revenue Code to facilitate tax-advantaged private contributions. Or the alliance members may agree to operate as an

informal partnership to direct the policies and programs of the alliance. The structure may include a technical expert committee to support the board of directors of the alliance and the development of clear operating procedures for the alliance's program. Under this general approach, whether or not a new legal entity is established, the alliance enters into an agreement with a Public International Organization (PIO), such as UNICEF or the World Bank, to manage the alliance's resources as a trustee or fiduciary agent. In some circumstances it may be possible for other types of financial institutions to play this role. One or more additional agreements with existing organizations may be entered into to provide administrative and other services to the alliance program. The specific role(s) played by the PIO or other institution may vary from alliance to alliance.

For this type of alliance, USAID support typically takes the form of a grant to the NGO established by the alliance (if deemed grant-worthy), or to the PIO or other financial institution that serves as trustee for the alliance's resources. When managed by a PIO, USAID grant funds may be commingled with the funds of other contributors and managed collectively. USAID will use a tailor-made and generally streamlined form of grant agreement that requires an approved exception to the general requirement of competition, as well as deviations under ADS Chapters 303 and 308. In addition to the grant agreement, substantial effort generally will be required in connection with the negotiation of the alliance's corporate charter, by-laws, trust agreement, operating procedures and other documents necessary to establish its operational structure. Among other things, it will be necessary to specifically address the manner in which USAID's interests will be represented in the alliance entity's governance structure. For instance, this may involve USAID (or in some instances other USG) representation on the entity's board of directors, donor advisory committee and/or technical working groups. (Note that if it is proposed that a USAID official would serve on the board of directors, there are conflict of interest issues under 18 USC 208 that will need to be resolved.) GC or RLA advice should be sought early in the process of considering this type of alliance structure. Examples of this type of alliance include the Global Alliance for Vaccines and Immunization (GAVI) and the Global Alliance for Improved Nutrition (GAIN).

A simpler (and more common) "pooled resource" approach is when USAID makes a grant to an existing NGO, quite possibly a traditional USAID implementing partner, that is also receiving and managing contributions from other parties. In this case the USAID grant is accounted for in the same manner as typical USAID grants under ADS 303 and 22 CFR 226, but USAID funds and those of the other contributors are "pooled" in the sense that they all are managed by the same implementing NGO. Similarly, in situations in which USAID receives a donation from an outside party (see question #9 below), the donated funds are accounted for separately from USAID appropriated funds but are "pooled" in the sense that they are managed by USAID in conjunction with appropriated funds for a designated program.

6. Is there a model MOU document?

There are useful examples, but no model. MOUs, however, at a minimum*, should always include language indicating that the parties specifically acknowledge that the MOU is not an obligation of funds, nor does it constitute a legally binding commitment by any party*. MOUs should further include language stating the parties are entering into this MOU while maintaining their own separate and unique missions and mandates, and their own accountabilities; and that nothing in the MOU shall be construed as superseding or interfering in any way with other agreements or contracts entered into between the parties, either prior to or subsequent to the signing of this MOU.

Note that GC is collecting copies of MOUs for existing alliances (and for alliances now under development) that are available for review. In considering and negotiating MOUs and similar agreements, you will of course need to prepare documents that meet the needs of your specific alliance. Topics covered in your alliance MOU may differ from those of other alliances. GC or RLA assistance should be sought in negotiating and drafting the MOU or similar document. While an MOU itself is not an obligating document, it may contemplate a future grant or contract award by USAID. If this is the case, M/OP or RCO assistance should be sought with respect to the choice of instrument and the procedures to be followed, and the question of competition (or waivers of competition) should be addressed.

MOUs can be used at different stages of the process of building an alliance relationship with companies, foundations or other institutions. An early stage MOU may serve the purpose of indicating the agreement of USAID and other parties to discuss and where possible collaborate on development issues of mutual interest. A more developed MOU might identify a specific focus for the alliance, establish a basic alliance decision-making structure and discuss implementation understandings (to be undertaken by USAID and other alliance members through the award of separate contracts or grants). Thus, in all instances, care should be given to the preparation of MOUs, to be sure they accurately reflect the purpose of the document, the roles that the parties plan to undertake, the understandings that have been reached and the process for reaching any further agreements contemplated with respect to implementation.

Who can sign a non-obligating MOU of the sort described above? They may be signed by Assistant Administrators and their designees in USAID/W and by Mission Directors and their designees in the field. *Who should sign them?* This is a judgment call for the head of the relevant operating unit, but in most cases alliance MOUs probably should be signed at no lower than the Assistant Administrator or Mission Director level. In some instances, for alliances that involve more than one program bureau or which are especially significant because of the subject matter of the alliance and/or the alliance partners involved, it will be appropriate to consider whether the Administrator or Deputy Administrator should sign for USAID.

7. What about "due diligence"?

A "due diligence" investigation is an inquiry about a prospective alliance partner that should be carried out prior to engaging in alliance negotiations. While a due diligence exploration can take many forms and range from quick and simple to long and complicated, its essence is to investigate what is often called the "triple bottom line"—i.e., is the prospective partner socially responsible, environmentally accountable and financially sound. The GDA secretariat can provide assistance by accessing certain corporate information databases and other resources. As you consider the type and extent of due diligence review that may be appropriate with respect to particular alliance opportunities, please keep three things in mind. First, *it may not be necessary to investigate every possible avenue of consideration*. For most transactions that you might consider, it would be too costly and too time consuming. Particularly for small alliances, too much due diligence can kill the transaction. Note also that due diligence, once beyond an initial phase, *is an ongoing process.* Indeed, alliances take time to develop, implement and manage. As a final point, note that it is not a requirement that a prospective alliance partner must have adopted any one or more of the several sets of international principles referred to in the guidance. Rather a prospective partner's adoption of such principles is a factor for USAID to consider in making an informed decision about whether a company would be an appropriate alliance partner. The main point is that we should make conscious and informed, not random, decisions when conducting due diligence.

Please contact the GDA Secretariat should you require further assistance or need additional information.

8. Can traditional Grants and Cooperative Agreements be used to support alliances?

Yes, while some alliance arrangements may require deviations from existing policy and new, streamlined forms of grant documents, in most situations alliances may be supported with existing policy and traditional grant mechanisms. The following summary is not exhaustive and all alliances should be considered individually with cognizant legal, procurement, and/or GDA Secretariat assistance as needed.

The process of identifying partners and jointly defining problems and their resolution may be conducted as part of a competitive grant-making process. Alternatively, if multiple alliance ideas in a sector, region or country are being informally discussed, but no formal ideas have been presented, you could consider holding a conference specifically to encourage and develop innovative ideas. Such a conference could be widely advertised to potential partners and posted on the Global Development Alliance web site (and/or others, as applicable). The result of this conference could form the basis for a Request for Applications (RFA) or Annual Program Statement (APS) incorporating some of the alliance ideas discussed at the conference, or it might stimulate the submission of proposals to USAID.

Use of APS or RFA to Seek Innovative Approaches. Using either an RFA or APS, you can issue a solicitation that clearly identifies the resulting award as being made to support a public-private alliance. If alliance members agree, the solicitation can include the names of alliance partners and the resources that they will be supplying (money or in-kind support).

Another approach would be for your solicitation to challenge prospective applicants to identify and include new and unique resources (technical and/or financial) in their proposal. Applicants could be instructed to factor these resources into their application and overall program as part of their cost share. Technical evaluation criteria in the solicitation may include points for the best-proposed use or integration of alliance partners, whether those partners were identified in the solicitation or discovered and cultivated by the applicant.

In general when using competitive solicitations that will result in a grant or cooperative agreement award to NGOs or educational institutions for the purpose of supporting public-private alliances, the solicitation documents should specify that the recipient is required to independently negotiate appropriate agreement(s) with all proposed alliance partner(s). In cases where USAID enabled the relationship by identifying in the solicitation the alliance partner(s) to be used or by suggesting possible alliance partners, it also should specify that USAID has no direct relationship with such alliance partner(s).

Use of Exceptions to Competition. Exceptions to competition specified in ADS Chapter 303.5.5d are available to the extent necessary to facilitate the formation of an alliance. Some exceptions which might be particularly relevant to entering into and providing grant support to alliance relationships are: "Amendments and Follow-Ons," "Unsolicited Applications," or "Predominant or Exclusive Capability." In all instances, coordinate any envisioned non-competitive approach with your Cognizant Agreement Officer early in the planning phase. Also, while you are encouraged to use the available exceptions to competition where called for in order to meet development objectives, remember that the exceptions must still be documented and justified. *Note that if you approve and fund a* *proposed alliance under the framework of an APS, it is not necessary to rely upon an exception to competition – the APS process is a competitive one.*

9. Do USAID officers have the authority to engage in fundraising?

Yes. But first it is useful to distinguish traditional fundraising campaigns from the collaborative alliance building efforts that are the main focus of GDA. In general, a fund-raising campaign suggests that the contributor of funds will have a passive role with respect to the organization or project they are supporting. The contributor does not help define the development problem and how it might be resolved; rather the contributor donates money or property for an already defined purpose. On the other hand, in general, GDA's focus on public-private alliances emphasizes a collaborative alliance building effort in which USAID seeks to jointly define, with private alliance partners, development problems and appropriate interventions.

GC has prepared guidance that clarifies the conditions under which USAID officials may engage in traditional fund-raising, i.e., solicit contributions from individuals, corporations and foundations for USAID projects and activities, or for the projects and activities of other organizations. The guidance sets forth procedures to be followed to ensure potential conflict of interest problems are avoided and for USAID officials to receive Assistant Administrator level approval before undertaking solicitations. A key requirement is that the solicitation must be structured to avoid any appearance that a contributor will receive preferential treatment in its dealings with USAID (or would receive any discriminatory treatment if it declines to contribute). The procedures do not apply to public and private donor coordination efforts, or requests for cost-share contributions, and in general do not apply to instances in which USAID does not initiate the fundraising activity.

The collaborative efforts of USAID officials to jointly establish and fund alliances are more akin to donor coordination than they are to the traditional solicitation of funds. Thus, the procedures for approving the involvement of USAID officials in traditional solicitation campaigns need <u>not</u> be followed in connection with efforts by USAID officials to form public-private alliances. However, the basic concept behind that guidance also applies in the alliance building context: USAID officials should conduct themselves in a way to avoid any appearance that a potential alliance partner by joining an alliance will receive preferential treatment in its other dealings with USAID (or would receive any discriminatory treatment if it declines to contribute). Also, note that in some situations, a collaboratively developed public-private alliance in which USAID participates also may have a traditional fund-raising component, to which the procedures in the GC guidance memorandum would apply if USAID officials wish to engage in a solicitation campaign for the alliance.

Please contact GC or your RLA with any questions.

10. Does USAID have the authority to accept cash and in-kind donations from governments as well as private parties?

Yes. Section 635(d) of the Foreign Assistance Act provides this authority to USAID. ADS Chapter 628 describes the procedures for accepting and accounting for donations. GC can provide examples of situations in which companies or other governments have chosen to contribute resources to USAID following these procedures. (Note that contributions to the U.S. Government by individuals and corporations are considered to be tax-deductible charitable contributions under Section 170 of the Internal Revenue Code.) This approach would, in effect, have USAID serve as the trustee for the management of contributions by other alliance members, and thus amounts to a simpler version of the "pooled resources" structure discussed under question #4 above. In its simplest form, this approach might involve the donation by a single company to USAID to expand an existing USAID program (e.g., increasing the funding for an already-awarded assistance instrument.) USAID and alliance members also could use this approach to jointly design and fund a new grant, cooperative agreement or contract to implement an alliance's program.

Note that a proposal to accept in-kind donations (for instance equipment or other property) from outside parties will present special issues, including valuation, titling and potentially storage/delivery arrangements. Given these administrative requirements, USAID generally prefers not to directly receive in-kind donations. Rather, we typically have encouraged potential donors of property to work with NGOs that have established procedures for accepting such donations.

11. Do USAID's usual legal and policy requirements apply to public-private alliances that USAID supports?

Yes. During the planning stages of a potential alliance, the normal list of statutory, regulatory and policy requirements that apply to USAID-funded activities should be reviewed. For instance, USAID's environmental review requirement will need to be addressed in accordance with USAID Reg. 16. In general, as with any activity, the items listed in the country and activity checklists that are updated annually by GC should be addressed and complied with. In addition to these checklists, you will need to consider the applicability of the Agency's policy determinations and statements on various subjects that are included as references to the ADS 200 series. This of course assumes that USAID will be providing financing for the alliance. In some situations, USAID may simply play a matchmaker role, or may provide in-kind resources rather than direct funding.

Office of the General Counsel: drafted 11/15/02; revised 12/04/02; 01/03/03; revised 6/17/04

Appendix XIV
FAQs: Procurement

1. How can bureaus and missions take advantage of the agency-wide Public-Private Alliance Announcement being issued by the GDA Secretariat?

The public-private alliance announcement being issued by the Secretariat serves as an Agency-wide tool to approach potential alliance partners and to reduce the number of noncompetitive approaches to alliances. The announcement is unique in that it covers all Agency programmatic areas and can be utilized by any bureau or mission as a competitive means of considering alliance applications. The announcement may be used by missions and bureaus by referring potential applicants to submit under this announcement, and the applications can be sent directly to the mission or bureau for evaluation, negotiation and award. Please refer to the Acquisition and Assistance Policy Directive (AAPD) when issued at http://www.usaid.gov/business/business_opportunities/cib/ for a further description of the policy and to the public-private alliance announcement when issued at www.fedgrants.gov for additional details. Missions and bureaus may also issue separate announcements/solicitations for their particular alliance building activities, if so desired, in accordance with traditional procedures provided in ADS 303.

2. How should a bureau or mission design a solicitation to attract applications with alliance partners?

There is no set method for designing such solicitations, but there are a variety of items one should consider in designs. First, one needs to determine whether a request for applications will be limited to only those that include alliances and whether there will be a set limit on the amount of matching/leveraging to be included in applications. Secondly, one should indicate in the solicitation the type of information applicants need to submit in support of the alliance portion (e.g. signed memoranda of understanding from proposed alliance partners, information on the responsibility and reputation of alliance partners, etc.) Thirdly, one needs to indicate the method in which potential alliances will be evaluated (e.g. feasibility of the alliance, broader programmatic impact with alliances, etc.). Finally, one needs to indicate the manner in which matching/leveraging needs to be demonstrated (e.g., memoranda of understanding, a traditional cost-share/matching approach, inclusion in overall program budget with anticipated timeframes for leveraging inputs and programmatic impacts associated with leveraging, etc.) One also needs to be mindful of the revised guidance on cost-share/matching as found in AAPD 02-10. The above is not intended to be an exhaustive list, but rather examples of base information that should be in solicitations.

3. How do matched and/or leveraged contributions from alliance partners become incorporated in USAID assistance awards?

The planned AAPD widely addresses the issues associated with matched and/or leveraged contributions as described below.

Cost Share/Match: Cost sharing or match refers to that portion of a project or program costs not borne by the Federal Government. Cost share or match is normally associated with contributions from the same prime and sub-recipients sources that also receive USAID funds. Cost share must be verifiable from the recipient's records, is subject to the requirements of 22 CFR 226.23 (http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/cfr_2002/aprqtr/22cfr226.23.htm), and is subject to audit. A recipient's failure to meet its cost share requirement can result in questioned costs.

Leveraging: In the context of PPAs, the concept of leveraging becomes an additional way that costs for a program may be shared. While, like cost share/match, it refers to a portion of a project or program costs not borne by the Federal Government, it also frequently involves one or more partners proposing contributions that will be spent in parallel to the USAID funded activity, but not expended by the recipient or its sub-awardees. Leveraging may come in the form of the entity's ability to get other supporters to provide their own form of assistance directly to the same end-users.

A contribution is also often categorized as 'leveraging' in situations where USAID does not determine it reasonable to designate a contribution as "cost share or match" (for which the partner would be held accountable for shortfalls), because of the nature of the proposed contribution. An example of such a circumstance is where the proposed partner is dependent upon uncertain market demands or conditions to ensure the proposed level of contribution.

The Strategic Objective/Results Package (SO/RP) Team must advise the Agreement Officer whether the contributions under the public-private alliance should be treated as "cost-share or match" and/or "leveraging" consistent with agency policy on determining appropriate cost share/match. Cost sharing becomes a condition of the award when it is made part of the approved award budget.

Solicitation/Application Language: The solicitation must specify whether "cost-share or match" and/or 'leveraging', are allowed/required, and require that the applicant clearly indicate whether contributions are being proposed as "cost-share or match" and/or "leveraging." To the extent that the contributions are being proposed as "leveraging," the solicitation must require that the applicant provide: 1.) Annual benchmarks that include proposed results to be accomplished with the USAID funds and the additional leveraging, and 2.) Annual timelines that include percentages or amounts.

The benchmarks and timelines must be included in the terms of the award. The solicitation and award must also include a discussion of the consequences that will result if the proposed leveraging does not materialize.

It is important that one weigh the choices among the two approaches and consider which one or combination of them is the most appropriate for the particular alliance program. Public-private alliances are being emphasized by the Agency in recognition of the greater amount of resources the private sector is contributing to developing countries, and we are creating different approaches to bring about more effective implementation of foreign assistance programs from a combination of resources.

4. Can alliances be solicited and structured in contractual mechanisms?

We currently have very limited experience with alliances in the contracting arena. One can envision parallel types of situations in which a potential alliance entity desires to fund or support a particular development activity and the Agency wants to contract with some separate entity to implement a related aspect of the development activity. This is more akin to donor coordination as USAID is planning to fund one aspect of an activity and the alliance entity is funding another aspect with no binding relationship between USAID and the alliance entity. There may be some existing contract vehicle (e.g., an Indefinite Quantity Contract/IQC within the Agency or the General Services Administration/GSA) in which USAID contracts for the specific services it is supporting, while the alliance entity separately supports another aspect of the activity.

It is possible for the Agency to design a solicitation/contract in which the alliance entity is party to the contract, but there are a number of factors to consider in such a design. The FAR has provisions for a cost-share type contract, but these are traditionally utilized in research and development type programs in which the contractor does not charge a fee and accounts for its contributions under the contract. The situation usually involves the design of some product in which the contractor is willing to cost-share the contract in hopes that it would have certain rights with the final product that could bring it separate revenue after the contract is completed. This is not the typical alliance situation we have been considering to date. However, there still may be alliance entities that want to support programs for corporate/social responsibility purposes. One must consider whether a cost-share type contract is desirable and plausible under the circumstances. If one pursues a cost-share contract approach, the information offerors need to address, the manner in which it will be evaluated and the means it will be structured into the contract should be worked out in the solicitation. If one considers a memorandum of understanding (MOU) approach in a contractual arena, greater concern needs to be taken given the non-binding nature of MOUs. Further consultations with OP and RLAs/GC should be pursued under contractual approaches.

5. Are due diligence considerations for alliance partners part of the Grant/ Agreement Officer's responsibility determination?

The AAPD plans to addresses the concept of due diligence as described below.

The concept of due diligence was developed for the purpose of checking and reviewing available information on the proposed private sector contributors to an alliance; that is, the organizations contributing additional resources and <u>not</u> receiving USAID funds. A due diligence investigation is a well thought-out inquiry of a prospective partner that must be carried out **prior to engaging in alliance negotiations**. Its essence is to investigate what is often called the "triple bottom line," (i.e., Is the prospective partner socially responsible, environmentally accountable and financially sound?). The SO/RP Teams normally takes the lead in working with the GDA Secretariat and its information systems to review information on proposed contributors to ensure that the track record, the objectives, and reputations of **all** alliance partners including the proposed recipient are examined to protect the interest of all parties. The SO/RP Team must share all the information obtained (i.e., positive, questionable and/or negative) from these searches with the Agreement Officer, or submit a memorandum for documentation purposes if there is adequate information on hand to provide an affirmative finding in the due diligence process. **The Agreement Officer is ultimately responsible for making any final award determination, based on the information obtained relating to due diligence and responsibility.**

While "responsibility determinations" involve review of the <u>primary applicant's</u> systems for management, accounting and audit noted above, "due diligence" typically involves review of the proposed alliance partner's (i.e., additional organization(s) participating in the alliance, but not the direct recipient of USAID funds) social/corporate responsibility through various resources and websites of the nature contained within <u>Tools for Alliance Builders</u>. Other resources, such as Dunn & Bradstreet reports, may also be used.

6. When should one consider deviations to standard provisions?

One should review closely the particular nature and structure of an alliance for consideration of deviations. Deviations are not the norm in designing public/private alliances, but some structures tend to gravitate towards deviations. One such structure is when USAID funds are being given to a non-profit organization, but those funds are subsequently being directed to a trust fund or other arrangement overseen by a Public International Organization/PIO (e.g. the World Bank, UN, WHO, etc.). Under this type of arrangement, deviations have been approved in which the standard provisions for PIO grants have been applied even though the award is not directly to a PIO. The rationale for approving such deviations has been that the program is ultimately being implemented under the auspices of the PIO in their role to oversee the particular trust fund or other arrangement. One may wonder why USAID is going through a non-profit organization when it can undertake awards directly to PIOs. In the situations to date, award through the particular non-profit has been desirable due to either the additional resources the non-profit contributes (e.g. United Nations Foundation match), or to encourage other donor contributions and foster support for the particular non-profit program (e.g. Vaccine Fund). Please refer to OP/Policy on the deviations that have been approved to date in the area of public/private alliances.

7. What amount of substantial involvement/collaboration should be anticipated in public-private alliances?

The amount of involvement varies with the nature of the alliance, the track record of the partners and the stage of the alliance relationship. Substantial involvement should be limited to the extent necessary under Cooperative Agreements. Cooperative Agreements differ from contracts and by their nature should not involve the level of management control/oversight associated with contracts. Thus, one needs to be mindful about the level of involvement. On the other hand, substantial involvement may be an appropriate means to document the partnership arrangement, the fact that all partners bring something of value to the relationship, and each member's willingness to share risks, responsibilities, and rewards. The risks associated with the particular alliance and the stage of the alliance formulation at the time of award are factors to consider in the amount of involvement. These factors may call for greater substantial involvement/collaboration beyond the traditional low end of involvement relating to review of implementation plans and key personnel. While USAID's direct relationship is with the prime awardee, the award in part should foster collaboration among all partners (USAID, the awardee and other alliance members).

Office of Procurement: drafted 12/05/02; revised (awaiting further comment) 7/23/04

Appendix XV
FAQs: Gifts and Donations

1. Can the Agency accept gifts and donations as an alliance partner's contribution to a GDA alliance?

Yes. USAID has the authority to accept gifts and donations, as either cash or in-kind gifts, for carrying out its official functions. Section 635(d) of the Foreign Assistance Act of 1961, as amended (FAA), the Agency's principal gift authority, provides that the Agency can "accept and use in furtherance of [the FAA], money, funds, property, and services of any kind made available by gift, devise, bequest, grant or otherwise for such purpose."

"Gifts" as nonreciprocal, voluntary transfers of assets from foreign governments, private organizations, individuals, or others to USAID. "Donations" as monies and materials given by private persons and organizations to USAID without receiving anything in exchange. Both terms are defined in the Agency's Automated Directive System (ADS) Glossary, and the term "donation" is used interchangeably with the term "gift" for the purposes of ADS Chapter 628 (Gifts and Donations and Dollar Trust Fund Management) and in this document.

Gifts can only be accepted by Agency officials who have been delegated the authority to accept them. See ADS Chapter 103 (Delegations of Authority) for the list of officials authorized to accept gifts on behalf of the Agency. Such officials are responsible for ensuring, prior to acceptance of a gift, that it will be used in furtherance of the purposes of the FAA, and that other criteria applicable to its acceptance have been met. See question 2 below for information regarding the Agency policy and procedures for accepting gifts.

2. What is the Agency procedure for accepting gifts and donations?

ADS Chapter 628 sets forth the Agency policy and procedures for acceptance of gifts and donations, including the criteria that must be satisfied prior to their acceptance as well as the financial management rules and procedures that apply to gifts. ADS 628 also includes a sample gift acceptance letter and a suggested format for receipt of in-kind gifts.

For questions regarding a specific gift, please consult with your Regional Legal Advisor or your legal backstop in the Office of General Counsel. For questions related to the financial management rules and procedures applicable to gifts, please contact the Financial Management Office.

3. How does the Agency define or categorize gifts?

ADS 628 divides gifts into the following three broad categories and sets forth the criteria for accepting each type of gift. Briefly summarized, the categories include:

1) *Conditional gifts:* gifts made for a specific purpose or with conditions on their use. Before accepting a conditional gift, the Agency official delegated to accept the gift must ensure that specific criteria for accepting the gift have been met. The criteria are set forth at question 4, below.

2) *Unconditional gifts:* gifts made with no conditions on their use, which therefore can be used for any purpose authorized in the FAA. Before accepting an unconditional gift, the Agency official delegated to accept the gift must ensure not only that the gift will be used in

furtherance of the FAA, but that acceptance of the gift will not result in, or create the appearance of, a conflict of interest.

3) *In-kind gifts:* gifts of property or materials other than cash. Before accepting an in-kind gift, the Agency official delegated to accept the gift must ensure that the criteria for accepting the gift – which mirror those criteria for conditional gifts, outlined a question 4, below- have been met. The Agency official delegated to accept the gift must determine its fair market value (FMV) and report the value to FM. (Note that a proposal to accept in-kind donations (for instance equipment or other property) from outside parties will present special issues, including valuation, titling, and potential storage/delivery arrangements. Given these administrative requirements, USAID generally prefers not to directly receive in-kind donations. Rather, we typically encourage potential donors of property to work with NGOs that have established procedures for accepting such donations.

4. Can a donor impose conditions on the Agency for use of its gift or donation and can the Agency agree to such conditions?

Yes to both. A donor can impose conditions on its gift to the Agency, which conditions can be accepted by the Agency if the Agency official delegated authority to accept the gift determines that the conditions can be agreed to by the Agency. Acceptance of conditional gifts imposes a fiduciary responsibility on the Agency to ensure that the funds are used for the purpose(s) for which they were given. Therefore, before accepting a conditional gift, an Agency official delegated authority to accept it must ensure that the gift can be obligated (if a gift of cash) and will be used in accordance with the terms and conditions of the gift. Additionally, before accepting a conditional gift, the Agency official delegated authority to accept the gift must certify that the following criteria have been met:

1. The Agency can comply with conditions of the gift and still use the gift in furtherance of the FAA;

2. The Agency can comply with conditions of the gift in a reasonable and cost efficient manner; and,

3. Acceptance of the gift will not result in, or create the appearance of, a conflict of interest.

The accepting official should document the decision as to whether USAID accepts the conditions and inform the donor in writing of the decision.

See ADS 628 for specific guidance on conditional gifts and contact your Regional Legal Advisor or legal backstop in the Office of General Counsel for guidance regarding a specific gift.

5. Are cash gifts and donations subject to apportionment?

Yes. Cash gifts and donations *are* subject to apportionment under OMB Circular A-34. However, such gifts are not appropriated funds and therefore are not subject to the legislative and regulatory requirements applicable to appropriated funds.

6. What effect do gifts and donations have on a mission's appropriated operating year budget (OYB)?

None. As noted in question 5, above, cash gifts and donations are not appropriated funds and therefore are not subject to the legislative and regulatory requirements applicable to appropriated funds. Gifts and donations do not offset appropriated funds, are not subject to OMB "scoring," and do not impact a mission's OYB.

7. Are gifts and donations to the Agency tax deductible by their donors?

Gifts and donations to the Agency by individuals and corporations are considered to be tax-deductible charitable contributions under Section 170 of the Internal Revenue Code. Please note that donors are solely responsible for determining the tax consequences of their cash gifts and donations to the Agency, and for claiming any tax benefit available under the Internal Revenue Code for making a gift or donation.

8. Have gifts and donations been used as an alliance partner's contribution under GDA or other Agency alliances?

Yes. Here are two examples.

1. Under the ChevronTexaco (CT)-USAID Enterprise Development Alliance in Angola, CT endeavors to contribute up to $10 million to the alliance through the donation of conditional gifts to the Agency that will support the implementation of specific activities in Angola. The first alliance activity, the Development Relief Activity (DRA), seeks to assist at least 150,000 families that have been affected by the civil war (demobilized soldiers and internally displaced persons) to increase agricultural production in the provinces of Benguela, Bie, Huambo, Huila, Malanje, and Kwanza. DRA will also expand rural household incomes and develop small and medium productive enterprises. CT has donated $2 million of a planned $4 million gift to the Agency as a conditional gift to support DRA.

b) British Petroleum (BP) donated $1.5 million to the Agency as a conditional gift to support USAID/Georgia's Winter Heat Assistance Program. The program provides a stipend to low-income Georgians to assist them in paying their electricity bills, and in part, to offset increased prices resulting from USAID-sponsored privatization. The program, implemented through a USAID-funded instrument to which BP has donated, identifies qualifying Georgian citizens, verifies that they have received service and in what amount, and then computes the service charges which are payable to the service provider under the program.

9. Can the Agency solicit gifts or donations to support alliances?

Yes. USAID has the authority to solicit contributions on its own behalf under its gift authority, Section 635(d) of the FAA, and under Section 25 of the Department of State Basic Authorities Act of 1956, as amended, 22 U.S.C. Section 2697. In addition, Agency officials have the authority to engage in fundraising for USAID or others under certain provisions of the FAA which establish U.S. policy to encourage the participation of the private sector in the development process.

However, there are a number of restrictions or conditions that apply to such fundraising.

1. The agency may not solicit contributions for the travel expenses of Government employees;

2. Solicitations must be for funds to be used in connection with the agency's authority (e.g., funds solicited under the FAA must be used for agency programs or the foreign assistance programs of other organizations);

3. Solicitations must be structured to avoid any appearance that a contributor will receive preferential treatment in its dealings with USAID (or would face any kind of discriminatory treatment if it declines to contribute);

4. The solicitation must not include covert or deceptive activities.

The Office of General Counsel has issued an opinion on soliciting funds entitled "USAID Solicitation Campaigns for Agency Programs or the Foreign Assistance Programs of Other Entities" which provides a detailed explanation of the legal parameters for soliciting gifts. This opinion is included in Attachment C to the GDA guidance document entitled "Tools for Alliance Builders." It is *strongly recommended* that you consult with your Regional Legal Advisor or legal backstop in the Office of General Counsel for advice and counsel regarding specific situations, or to answer any questions you may have regarding the referenced legal opinion.

Revised 2/14/03

Appendix XVI
FAQs: Remittances

1. What are Remittances?

"Remittances are the money that foreign-born workers send to their relatives and/or communities abroad. They are not tax exempt and are only sent after all payroll taxes have been collected." (Immigrant Remittances, Jeffrey Hsu)

2. What are the Scale and Scope of Remittances?

Most development professionals are now aware that remittances represent a significant resource flow to developing countries. One author reported that worldwide the flow of remittances exceeds $100 billion per year with more than 60 percent going to developing countries. Many experts posit that these estimates under-represent the scale of remittances since many countries have inadequate processes for estimating or reporting on the funds remitted by foreign workers.

USAID staff estimate that personal remittances in 2000 from ethnic diasporas in the United States back to Part I and Part II countries (as defined by the Development Assistance Committee) was over $18 billion dollars compared to $12.4 in official development assistance from the US to those same countries. In other words, personal remittances are a large resource flow and have been overlooked in the past.

3. How are remittances used?

Focus groups in Latin America revealed that remittances are primarily used for consumption goods (82-85% of remittances were used for this); however, some remittances have been and more could be used for investment purposes in developing countries (5-6% of remittance flows). If we imply that 5% of the $18 billion sent from the US back to home countries in 2000 were used for investment purposes, we are presuming almost $1 billion in investment capital for small and medium sized enterprises. In addition, remittances are also used for children's health and education (4-8%).

In general, remittances account for 15% of a permanent emigrant's salary and 50% of a temporary emigrant's salary.

4. Why are remittances important to USAID?

Previously, governments paid little attention to remittances as a tool for economic development. This has recently changed because rapid social and economic transformations associated with globalization have led to a growth in remittances.

In the past, researchers did not have a positive image of remittances: they associated remittances primarily with consumption goods. Current research, however, indicates that remittances have an important role to play in the development of communities. This is demonstrated by the creation of hometown associations and collectives.

5. How can USAID create development interventions around remittances?

Remittances are a personal decision with monies sent from one family member to another. Some identified promising policy interventions include:

- Reduce the Transaction Costs of Remittances

- "Channel" Remittances to Development Objectives
- Support Alternative Delivery Methods
- Increase the Volume of Remittance Flows

6. What is the size of US Originating Remittances by Selected Country of Origin?

The summary data below show remittances originating in the US by receiving country. From the table below, one can conclude that the US sends a large portion of remittances to Latin America, especially to Mexico. *(Note: the data below is only a partial list of countries and does not equal USAID's estimates.)*

Selected Annual Remittances From the US to Immigrant Countries
(Remittances values for the year 2000, US$ billions)

Receiving Country	Sent from the US
China	0.1
Colombia	1.4
Cuba	0.8
Dominican Republic	1.5
El Salvador	1.5
India	1.2
Mexico	6
Philippines	3.2
Vietnam	1.5
Total:	**17.2**

Source data: Hsu, 2002

7. What methods are used to send remittances?

Traditionally, remittances have been hand-delivered or sent by transfer companies like Western Union in which case transaction costs are high. Many migrants still use informal sector to send money home because they fear fraud. Recently, bank and credit unions have solved some of the problems associated with remittances by somewhat reducing the high transaction costs and allowing for better measurement of these funds. Most Latino immigrants send family remittances through international money transfer companies such as Western Union and MoneyGram. *(Source: MIF Survey of Remittance Senders)* Overall, countries have varying preferences about how to transmit remittances. *(Meyers 1998, p.3).*

Methods of Sending Remittances

Methods of Sending Remittances	% Respondents
Western Union	30%
People Travelling	15%
Mail & Money Orders	14%
Bank	14%
MoneyGram	11%
Credit Union	6%

Source data: IDB's MIF Survey of Remittance Senders: US to Latin America Nov/Dec 2001 (Administered by B&A, Bendixen & Associates)

8. How has USAID used Remittances to Date?

A. Pan-American Development Foundation: Working with Trusted Intermediaries-Hometown Associations

USAID is supporting Hometown Associations through a public-private alliance sponsored by the Bureau for Latin America and the Caribbean (LAC) in collaboration with the Pan-American Development Foundation. The LAC Bureau contributes $300,000 to activities taking place in Haiti, Mexico, and El Salvador. The alliance activity consists of an innovative set of pilot projects to be implemented with migrant associations, more commonly known as "hometown associations" (HTAs). HTAs raise funds from members for local development projects in their communities of origin. This phenomenon, called collective remittances, has received little attention by donor agencies and host governments to date. USAID has previously funded research in this area, but the proposed program is the first of its kind for the Agency.

The activity consists of an eighteen-month program to transfer capacity to three immigrant groups in the US: the National Organization for the Advancement of Haitians (NOAH), Comunidades Unidas Salvadorenas (CUS), and the Federación Oaxaqueña de Comunidades y Organizaciones Indígenas de California. These immigrant groups will implement three pilot community economic development activities—one each in Haiti, El Salvador, and Mexico, and will engage in a series of training sessions and monitoring trips with PADF. The three groups and PADF will also partner with in-country NGOs and the private sector to increase and better target community remittances for local economic growth in the region. The $300,000 USAID contribution generates an additional $150,000 in matching funds from various sources. The main project goal is to build and transfer capacity of US-based HTAs to support development projects in their home countries.

B. WOCCU Partnership: Lowering Remittance Transaction Costs

The LAC Bureau is working with the World Council of Credit Unions, Caja Popular Mexicana, and the credit unions in Texas and California to leverage remittances for economic growth. The LAC Bureau contribution for this alliance is 660,000. This activity takes place in Mexico and focuses on economic growth. Mexican migrants and Mexican Americans sent home about $9 billion last year -- more than official development assistance, twice as much as Mexico's agricultural exports, and about half of its oil revenue.

Sending money home so that it can fuel development is expensive. Steep cash transfer fees, a lack of bank accounts and identity documents, or corrupt and unscrupulous middlemen have drained much of the value of those remittances.

Recognizing that the flow of cash back to Mexico and other Latin American countries is an important source of development income, USAID provides $500,000 to support the creation of an innovative new program to facilitate the flow of remittances to Mexico.

"USAID will work with credit unions in Mexico and the US to offer low-cost money transfer services," said Adolfo A. Franco, Assistant Administrator of the Latin America and Caribbean Bureau, at a September announcement ceremony in the Latino Community Credit Union in Durham, North Carolina.

"The program will also promote savings and investment by offering attractive, safe, and convenient methods for saving money or investing. In many cases, financial services –

savings, credit, mortgages – will be provided to families that have never had them before," said Franco.

WOCCU provides training, technical assistance, and technology to ensure the success of this effort. In addition, WOCCU has enlisted the assistance of the Texas and California credit union leagues, which provide additional training and internship opportunities for staff from Mexico.

GDA Secretariat: Drafted 2/28/03

Appendix XVII
FAQs: Mitigating Reputation Risk

1. What major steps can I take to avoid risks to USAID's reputation in a PPA?

A properly researched, defined, negotiated, managed and publicized alliance is the best defense against risk to the Agency's reputation. Careful attention to the following will avoid most difficulties:

1. Preconditions for Success: An Alliance Checklist and Alliance Precepts
Common cause, inclusion and commitment (including financial), based on principled behavior and transparency, will limit ambiguity and bring potential problem areas to light early in the process.

2. Due Diligence (Constructing Alliances Section): Potential private sector partners may have some negative press and past experiences. It is critical to analyze the context of past grievances. For example, if the company is involved with lawsuits that are directly connected to the objective of the proposed alliance, forgoing an alliance with that partner may be wise.

- Private sector partners will also be seeking some financial or business benefit from the alliance, even if it is just an improved corporate social responsibility (CSR) image. USAID alliance builders should be able to clearly articulate their partners' interests. Mitigating risk means being informed about your partners' motives and interests.

3. Agreement - Memorandum of Understanding (MOU) (Constructing Alliances Section): Well-prepared MOUs reduce alliance ambiguity and thus reputation risk.

- Not all alliance partners must be named in an alliance MOU. If it is necessary to keep more of a distance from certain partners, alliance builders have the option of naming "first" tier partners in the MOU, while leaving reference to "second" tier partners out.

4. Managing Alliances: Agreeing upfront on specific roles and responsibilities, key elements of governance (e.g. frequency of meetings) and mechanisms for resolving differences equips alliance builders to navigate difficult situations downstream.

5. Publicizing the Alliance (Managing Alliances Section): Alliance partners should anticipate reputation risk issues in advance and identify the key audiences that could exploit any potential alliance weaknesses or negative appearances.

PPAs that lack these basic elements- coordinated problem definition, clear understanding of alliance partner interests, significant commitment and accountability by all partners and effective alliance management- are not only ineffective at reaching sustainable development objectives, but they draw undue attention to potential "gray" areas. Alliance builders protect the Agency's reputation by following alliance best practices, with a focus on sustainable outcomes.

2. Can I enter a PPA that is core to the business of my private sector partners? What if my partners stand a chance of gaining a direct financial reward as a result of their alliance with USAID?

Yes, USAID may enter such an alliance, provided a legitimate development purpose exists and the USAID investment is carefully selected. However, United States Government (USG) funds may never be used to directly engage in profit-making. USAID mitigates its risk in alliances that present the potential for partners to profit by clearly establishing development objectives, by defining how such an alliance best achieves the expected results and by investing in a facilitating mechanism via a civil society partner.

For example, a U.S agribusiness firm stood to benefit financially from the creation of a processing plant. To facilitate the project - which was given high priority by the local government, also a partner in the alliance - USAID funded research at a national agricultural research institute in order to identify viable sugarcane strains for the project area. As an alliance partner, the agribusiness firm used the research to complete its due diligence and to secure capital financing. In this case, allowing the agribusiness firm the prospect of financial benefit was determined to be a reasonable trade-off, considering no other industry players were willing to take the risk of establishing in-country growing and processing of this specific commodity. Further, the alliance project is expected to meet and exceed economic growth objectives by creating more than 3,000 new jobs and by stimulating growth in a new industry sector in which the country may have comparative advantage.

If alliance builders deem it necessary to further distance USAID from any potential controversy regarding the earning of income by an alliance partner, they might consider requiring the reinvestment of profit as "program income" to be used for follow-up activities. Depending on the nature of the alliance, this may be facilitated by using standard provisions for program income in the grant to the NGO implementing partner.

Of note, the US Trade and Development Agency (USTDA), which promotes US commercial interests and host country development objectives in developing and middle income countries, requires US firms receiving USTDA grants to reimburse part or all of USTDA's funding if an individual project is implemented and if the company receives substantial economic benefit. These commitments are included in a letter agreement between USTDA and the company. Alliance builders might consider how such an arrangement could be applicable in a USAID PPA setting.

3. Can USAID help finance the creation of a profit-making enterprise as part of an alliance, such as a processing plant?

Yes, provided a legitimate development purpose exists, and after exploring multiple investment alternatives, USAID could enter an alliance to aid in the financing or building of a processing plant or operation. As noted earlier, however, USG funds can never be used to directly engage in profit-making. Thus no profit may be retained by the profit-making enterprise during the life of the assistance award. An alliance of this sort would require a specific plan to avoid profit making during the life of the award or a mechanism to reprogram profits during the life of the award.

A familiar scenario for this type of PPA has arisen in agriculture-based economies which are attempting to move from a "grow-harvest-export" model to a "grow-harvest-**process**-export" model in order capture greater economic value in-country. Often, local private sector capital is not available and few private sector firms are willing to risk starting such operations due to poor business infrastructure.

In determining how best to approach such situations, alliance builders should first explore investment options outside of financing the actual plant. Critical questions to consider include:

- Can alliance funds be used in a facilitative way to address finance impediments or business infrastructure improvements?
- Rather than investing in the actual building of the plant, can USAID funds be used to add legitimacy to the project in order to secure financing, such as in providing market research? Is there another way to draw in private or multi-development bank financing?

If USAID monies - implemented through a capable NGO - are to be used in the actual building or financing of a plant, what is the plan for complying with profit restrictions (as described above), for mitigating against reputation risk and for avoiding potential negative effects in the marketplace?

- What is the plan for "reinvesting" program income or profit during the life of the assistance award?
- What is the plan for transferring ownership after the plant is built and before it engages in profit making activities?
- How will you ensure broad enterprise ownership by key stakeholders- especially local stakeholders?
- What is the exit strategy, so that investment in an actual plant is a one-time intervention?
- What is the plan for stimulating growth in related sectors, such as supply chain participants?
- How do we prevent picking a winner or creating a monopoly?

In short, alliances of this sort are technically possible, but alliance builders must plan well to comply with the law, avoid reputation risk, reprogram any potential profits during the life of the assistance and ensure equitable ownership once the project is complete.

4. Can I enter an exclusive alliance with a private sector partner, rather than opening it up to multiple private sector players in a given industry?

Prior to the submission of a formal alliance application, alliance builders are free to explore potential alliances (exclusively or not) with any private sector entity. Once a formal application is submitted, then the standard process for unsolicited applications is to be followed.

In some situations, a private sector entity may be interested in entering an exclusive PPA with USAID as a resource partner. While alliance builders should explore the inclusion of other private sector players, an "exclusive" alliance of this sort is acceptable, provided programmatic need exists and proper due diligence is conducted.

In other situations, a for-profit partner might possess a unique skill, technology or capability that is of particular programmatic and development interest to USAID, but from the partner's perspective would require an "exclusive" PPA. In a clean water alliance, for example, USAID agreed to limit for-profit participation to only one partner. This partner had invested heavily in researching and developing a proprietary technology for the elimination of water-borne diseases, even though market demand was questionable. No other competitor had developed a product based on the same technology. Because it was a key programmatic goal for USAID to test new and potentially far reaching technologies for water purification, it was determined that an "exclusive" type PPA with this partner was a reasonable trade-off. (i.e. there was only one for-profit alliance partner.)

In such "exclusive" PPAs, USAID mitigates risk by investing in the alliance through a civil society partner, rather than in the for-profit enterprise itself. In such cases, the reputations and skills of civil society partners take on additional importance in adding credibility to the alliance. Strong civil society partners add transparency and focus efforts on institutional reform and on stimulating local competition. In the example above, USAID funded an outside implementing partner to conduct market research and to purchase product from the previously mentioned company.

Alliance builders may accept exclusive-type applications and enter into exclusive-type alliances, but significant programmatic need should exist to exclude other for-profit entities, particularly if USAID decides to fund the for-profit enterprise directly. In most "exclusive" PPA cases, however, USAID mitigates risk by investing in a civil society partner, rather than in the for-profit enterprise itself.

5. Can USAID promote or purchase a specific product or brand via a PPA?

The USG cannot promote, endorse or market a particular product or entity.

However, under certain conditions, alliance builders might fund the market testing of a particular product or technology and even facilitate the purchase of a specific product through grant funds. For example, under "predominant capability," (ADS 303.5.5d.3) competition requirements may be waived in order to deal with an exclusive product or service provider.

In the case of the water alliance mentioned in the previous section, USAID funds were used to buy and test market a product - the only product of its kind on the market - via an outside actor. Because this partner possessed predominant capability - no competitors had developed a competing product based on the same technology - purchase competition was waived. Without paying for this specific product (via a grant to civil society partner), USAID would not have been able to test the technology in target countries, and the partner would not have done it on its own without a more promising business case.

Before "endorsing" or appearing to endorse a specific product through an alliance, alliance builders should exhaust other available options. Typically, broad mechanisms exist to create market demand or to identify technical solutions to development problems. One alliance built generic demand for quality mosquito nets by facilitating broad manufacturer participation via a quality seal program. In this case, several industry participants signed on to the alliance, since they stood to influence the standards to their favor.

6. If USAID funds research as part of a PPA, who retains patent or property rights as a result of the funding? Can USAID select an alliance partner to commercialize the technology, patent or intellectual property?

As a general rule, USAID retains non-exclusive, irrevocable license to use intellectual property developed with USAID funds. However, specific rules vary according to intellectual property type (i.e. patent vs. copyright) and grant recipient (e.g. university vs. NGO research organization, etc). For specific guidance on USAID rights retained, first look to the standard provisions of the contemplated agreement, then contact your contracting officer or legal advisor for further information.

In some PPA circumstances, it makes sense for USAID to fund the research or development of intellectual property at a research institution, with a private sector partner agreeing to purchase commercial rights (from the research institution) in order to market the technology or product. In a vaccine alliance, for example, USAID funded research at a research institution to identify a vaccine to address a life-threatening disease inflicting livestock. A partner agreed to purchase commercialization rights and to market the product. Considering the significant costs associated with commercializing the vaccine and the important development impact, it was a reasonable trade-off for USAID to fund research that would be purchased by the commercial sector partner on an "exclusive" basis in targeted markets.

7. Are there any industries USAID should never enter an alliance with?

It is not wise for USAID to enter alliances with organizations whose reputation would adversely affect the overall mission of USAID or specific activities, regardless of the industry. In all cases, USAID alliance builders should conduct adequate due diligence based on the guidelines found in Tools for Alliance Builders. Certainly, the nature of their core businesses will heavily influence the corporate social responsibility objectives of prospective partners.

8. Are there any circumstances under which USAID could enter alliances with subsidiaries or joint ventures (JV) of companies with which we have due diligence concerns?

Circumstances are conceivable under which USAID would enter an alliance relationship with a subsidiary, sister company or JV of a company with which we have due diligence concerns. For instance, a well-known partner in a USAID alliance is a subsidiary of a company with which USAID has due diligence concerns. This alliance partner is one of several corporate alliance partners, which has an interest in promoting the production and marketing of a commodity and in improving market access and income for small-scale producers.

In this alliance and others like it, USAID alliance builders mitigate the risk to USAID's reputation by:

- Assessing the extent to which the prospective partner is committed to CSR. What other programs is the company implementing to improve its CSR track record?
- Defining the particular development value the prospective partner brings to the alliance.
- Structuring the alliance so that it has broad appeal across the targeted sector. Having participation by several industry players will mitigate the effects of one partner with potentially damaging corporate relationships.
- Clearly understanding the nature of business relationships. How many degrees of separation exist between the offending company and your potential partner? How integrated are the companies? What is the potential for a public relations disaster? Are there ways to structure the deal to mitigate exposure of potentially damaging relationships? Being able to answer these questions and respond to them in a persuasive way is critical to knowing whether to enter an alliance of this nature.

GDA Secretariat: drafted April 2004; revised June 2004

Appendix XVIII
FAQs: Environmental Procedures

Note: This document addresses a number of general, frequently asked questions concerning environmental reviews and public-private alliances. It in no way supplants the need to carefully review Title 22 of the Code of Federal Regulations, Part 216 (USAID Environmental Procedures or 22 CFR 216) or to consult with your Mission Environmental Officer (MEO) and/or Regional Environmental Officer (REO) in conjunction with your Bureau Environmental Officer (BEO).

1. Do USAID-financed programs and activities under public-private alliances need to comply with USAID's Environmental Procedures set forth at 22 CFR 216?

Yes. 22 CFR 216 requires some level of review for all USAID authorized or approved (i.e. USAID-financed) programs and activities to determine what environmental impacts, if any, they will have. The level of review depends upon the proposed program or activity. This means, for example, that one activity may be subject to a full environment review under 22 CFR 216, while another activity may be exempt or excluded from such a requirement. See Question 6, below, for a general overview of the environmental review process and Question 4 for information about Categorical Exclusions and Exemptions.

2. Is USAID responsible for conducting an environmental review under 22 CFR 216 for its private sector partner's activities in an alliance?

Only if the partner is receiving USAID funds for the activity through a USAID-funded mechanism, such as a contract, grant, or cooperative agreement. See Question 5, below, for more information.

3. Where do I find information about USAID's environmental review requirements?

22 CFR 216 sets forth the general procedures to be used by USAID to ensure that environmental factors and values are integrated into USAID's decision-making process. It is available on-line at:
<http://www.usaid.gov/our_work/environment/compliance/index.html>
<http://www.access.gpo.gov/nara/cfr/waisidx_01/22cfr216_01.html>

Chapter 204 (Environmental Procedures) of the Automated Directive System (ADS) sets forth the policy and essential procedures about how to apply 22 CFR 216 to the USAID assistance process in order to ensure that assessments of the environmental consequences of all programs, activities, and substantive amendments thereto, are in full accordance with the requirements of 22 CFR 216. ADS 204 is available on-line at <http://www.usaid.gov/policy/ads/200/204.pdf>

4. What USAID activities are subject to environmental review under 22 CFR 216?

As noted in Question 1, all USAID-financed programs and activities require some level of review under 22 CFR 216. This includes all new projects, programs or activities and substantive amendments or extensions of ongoing projects, programs, or activities, including those implemented as part of public-private alliances.

USAID staff should consult with their MEO, REO, or BEO for specific guidance on conducting an environmental review of a USAID-funded program or activity - including those implemented through GDAs - and for guidance on the conditions under which an Exemption (22 CFR 216.2(b)) or Categorical Exclusion (22 CFR 216.2(c)(2)) from the environmental review requirements of 22 CFR 216 applies.

5. How does 22 CFR 216 apply to public-private alliances where USAID is playing a small role in a larger alliance?

It is the structure of an alliance, not the size of USAID's role in it, which determines whether 22 CFR 216 applies to USAID-funded programs and activities under an alliance. To reiterate, absent a Categorical Exclusion or Exemption, 22 CFR 216's environmental review requirements apply to all USAID-financed programs or activities, regardless of size. To the extent that an alliance involves programs and activities that are not funded by USAID (i.e. straight parallel financing), 22 CFR 216 would not apply to activities financed separately by alliance partners utilizing their own funding mechanisms.

The Global Development Alliance (GDA) document "Tools for Alliance Builders" (available at http://www.usaid.gov/gda) discusses a number of approaches to establishing alliances, which can be placed in two broad categories (see "Tools for Alliance Builders" for a more detailed description):

> **Parallel Financing:** Under this approach, USAID and alliance partners reach agreement on how to work together to address a development problem, with each partner establishing a separate mechanism (e.g., grant, contract) through which to provide resources to support the alliance's work (financial or in-kind). USAID-funded programs and activities under the alliance are subject to environmental review under 22 CFR 216, absent an exemption or exclusion, discussed above. To the extent that an alliance involves programs and activities that are not funded by USAID, 22 CFR 216 would not apply to activities financed separately by alliance partners utilizing their own funding mechanisms.
>
> **Pooled Resources:** Under this approach, USAID and alliance partners establish a formal alliance governance structure for the purpose of attracting resources and making joint program decisions. These alliances may involve fairly complex organizational structures and legal documentation. For this type of alliance, USAID support typically takes the form of a grant to a non-governmental organization (NGO) established by the alliance or to a public international organization (PIO) or other financial institution that serves as trustee for the alliance's resources. Where USAID resources are utilized under such structures, programs and activities are subject to environmental review under 22 CFR 216. The level of review, as discussed above, depends on the proposed program or activity.

In all cases, remember that, as part of the due diligence investigation of a potential alliance partner, it is essential to investigate what is often called the "triple bottom line"—i.e., is the prospective partner socially responsible, **environmentally accountable** and financially sound. For purposes of this discussion, this means that, while the 22 CFR 216 environmental review procedures may not be applicable to a program or activity implemented under an alliance, USAID should still be concerned about a proposed alliance partner's past record of environmentally accountability and its specific plans for environmental accountability under the alliance. As outlined in the Tools for Alliance Builders "Preconditions for Success: An Alliance Checklist" "[i]t is critical that USAID align itself with private sector entities whose interests are compatible with USAID's and whose business practices do not pose reputation risks for the alliance or for USAID. Look for 'evidence' that the proposed partners' operational practices incorporate, for instance, commitment to human rights, decent work conditions, **environmental protection,** and community involvement."

6. What does the environmental review under 22 CFR 216 entail?

This question is best addressed by reviewing 22 CFR 216 and ADS 204 and conferring with your MEO, REO or BEO. As a general matter, however, depending on the nature of the project or activity, 22 CFR 216 will require the preparation of an Initial Environmental Examination (IEE) or request for Categorical Exclusion. Some will also require an Environmental Assessment (EA) and it would be uncommon but possible that one could require an Environmental Impact Statement (EIS).

Here, a few definitions are helpful. 22 CFR 216 defines the following terms as follows:

IEE: The first review of the reasonably foreseeable effects of a proposed action on the environment. Its function is to provide a brief statement of the factual basis for a Threshold Determination as to whether an EA or an EIS will be required.

Threshold Determination: The formal Agency decision which determines, based on the IEE, whether a proposed Agency action is a major action significantly affecting the environment.

EA: A detailed study of the reasonably foreseeable significant effects, both beneficial and adverse, of a proposed action on the environment of a foreign country or countries.

EIS: A detailed study of the reasonably foreseeable environmental impacts, positive and negative, of a proposed USAID action and its reasonable alternatives on the territory of the United States, the global commons (high seas) or areas outside the jurisdiction of any nation. See 22 CFR 216.7 for the specific requirements for preparing EISs.

There are generally two primary steps in the environmental review process:

Step 1: IEE, defined above. An IEE is not required for activities to which an Exemption or Categorical Exclusion under 22 CFR 216 applies. Additionally, no IEE is required for activities included in the 22 CFR 216 class of actions normally identified as having significant effects on the environment – these activities require an immediate EA or EIS, as appropriate. See 22 CFR 216.2(d).

The originator of the action, normally the Mission, is responsible for preparation of the IEE or request for Categorical Exclusion, which is then submitted by the Mission Director to the BEO for review and written concurrence.

IEEs record Threshold Decisions such as Positive Threshold Decisions for proposed actions determined to have a potentially significant effect on the environment and Negative Determinations if the proposed action will not have a potentially significant effect on the environment.

Step 2: If the IEE includes a Positive Threshold Decision, then a Scoping Exercise is undertaken by the Mission with the host government and affected public to determine the focus and scope of work for the needed EA or EIS, as appropriate. The results of the Scoping Exercise must be approved in writing by the BEO prior to beginning the EA or EIS.

7. Our mission is providing technical assistance only to an alliance; does 22 CFR 216 still apply?

Yes. However, when the provision of technical assistance does not include activities that directly affect the environment, 22 CFR 216 includes a procedure for obtaining a Categorical Exclusion from further environmental review. But, any requests for application of this or any other Categorical Exclusion must be made in writing and include appropriate justification. The decision regarding the application of a Categorical Exclusion must be reviewed and approved, in writing, by the BEO.

8. I'm working on an alliance and am concerned that the amount of time and level of review required under 22 CFR 216 may scare away potential partners.

Of course, USAID does not want to deter potential partners from engaging with us. In many cases, if the alliance is planned appropriately, this should not be a concern. If potential partners have questions about our 22 CFR 216 process, please address their questions in coordination with the MEO, REO, or BEO.

Keep in mind that appropriate alliance partners should not be scared away by the 22 CFR 216 review process as they themselves should both understand and demonstrate environmental accountability in their works. As noted in Question 5, above, environmental accountability is a core element of the due diligence review of potential alliance partners. USAID staff should not seek to develop alliances with partners who are not environmental accountable, which may include those who seek to avoid environmental review of their activities.

9. We need to obligate USAID funds for our GDA quickly and do not have time to conduct an environmental review. Is it possible to complete the review later?

Twenty-two CFR 216 provides that IEEs should be prepared at the Project Identification Document (PID) or Program Assistance Initial Proposal (PAIP) stage. (Note that concept papers and activity approval documents (AADs) have replaced PIDs and PAIPs. See ADS 200 Series.) Additionally, ADS E204.5.4 provides that each Operating Unit and SO Team shall develop effective essential procedures which ensure that adequate time and resources are available to complete all environmental work required under 22 CFR 216 before funds are obligated (this environmental work includes IEEs, Categorical Exclusions, requests for Deferrals or Exemptions of environmental reviews and if appropriate, Scoping Statements and their related EAs or EISs).

The GDA Toolkit also specifies that, during the planning stages of a potential alliance, the normal list of statutory, regulatory and policy requirements that apply to USAID-funded activities should be reviewed. This includes 22 CFR 216 which is undertaken as an integral and concurrent part of a project's design.

Thus, the situation described in this question can and should be avoided.

Twenty-two CFR 216 recognizes that environmental review of all programs or activities may not be possible at the time of program or activity approval, before obligation. See CFR 216.7 for an overview of the stringent requirements that apply to environmental reviews after authorization of financing. Also, consult with your MEO, REO, or BEO for specific guidance on what to do when you expect that an IEE is not going to be completed within the specified timelines. See also 22 CFR 216.3(a)(1).

10. Are there other environmental laws or regulations that apply to USAID activities?

Generally, yes, but their applicability depends on the activity type. For example, Section 119 of the Foreign Assistance Act of 1961, as amended (FAA) includes provisions related to endangered species, including actions required by USAID. Section 118 of the FAA includes provisions related to tropical forests. Note that these laws do not supplant the 22 CFR 216 environmental review requirements.

Please consult with GC or your RLA for advice and guidance on specific legal questions, and your MEO, REO, or BEO on all other matters.

11. United States firms are generally familiar with the National Environmental Policy Act (NEPA). Is there any difference between NEPA and USAID's Environmental Procedures?

Yes. NEPA is a U.S. law that sets forth the requirements for environmental review of U.S. government actions undertaken within the United States. Most USAID programs and activities, on the other hand, take place outside of the United States. USAID's Environmental Procedures are consistent with the purposes of NEPA, and are intended to implement the requirements of NEPA as they affect USAID programs.

GDA Secretariat; GC 7/8/04

Appendix XIX
Payment Structures: Lessons from Building Alliances

In an effort to streamline agreement negotiations and the procurement process, the GDA Secretariat has compiled a list of 'lessons'. In particular, the GDA aims to help the alliance-builder in streamlining financial payments and financing. The following tips are drawn from experiences and challenges the GDA has faced in these processes.

Payment Structure:

- *Non-profit entities:* Non-profit entities – including U.S. or *non-U.S.*, international private voluntary organizations, domestic American, educational and research institutions, and international research institutions – are typically granted funding in advance. Methods of advancing funds, in order of declining preference, are:
  (1) *Letter of Credit (LOC):* The LOC is a portal where a grantee can request money for immediate cash needs when necessary. In order to qualify for an LOC, an organization must first meet Federal standards for fund control and accountability. Non-U.S. organizations and international organizations located overseas (except U.N. organizations) are not generally issued LOC's.
  (2) *Periodic Advance:* Period advances are used when an organization does meet all the criteria for an LOC but an advance is still justified. Payments are made on a predetermined payment schedule, usually at 30-day increments.
  (3) *Reimbursement:* If an organization's financial management system does not meet Federal standards, the grant is administered through a process of reimbursement. This means that the organization must front the money, then prove it was well-spent in order to be reimbursed.
- *For-profit entities:* For-profit entities have two main options for grant financing, the first structure being the prevalent option:
  (1) *Reimbursement:* It is more often assumed that a for-profit organization is cash rich and can thus wait for payments, so these grants are typically administered through the reimbursement process. Because many companies do not understand this, when entering grant negotiations, it should be clearly articulated at the beginning of talks that reimbursement will likely be the chosen structure. Otherwise, cash flow issues can delay the progress of an initiative – especially those with a short timeframe – and compromise the ultimate success of the alliance.
  (2) *Advance Payments:* This option is also available to for-profit entities, though on a very limited basis. For *non-profits*, if an advance is allowed, funds may only be made available for 30-day periods. A grantee may receive multiple 30-day advances, but must liquidate all funds as there are penalties and interest that apply when USG monies are held. *For-profits* will be granted advance payments only if they meet one of the following criteria: delivery and/or performance requires the contractors and/or recipients to have large amounts of working capital; they do not possess such amounts; the for-profit is providing advances to grantees; and rare exceptional cases. Advance payments are usually reserved for non-profits. If a for-profit decides after a grant agreement is already settled that advance payments are necessary, an agreement modification must be performed. This process can take up to 45 days, and even then there is no certainty of issuance.

Limitations on Grants: It is important to firmly establish what exactly a grant can be used for before the contract is closed. If the lines are not clearly drawn, disagreements may arise after the initiative has already been launched, causing possible time delays and leaving a party with a bill it is not equipped to pay. Remember, however, that there is a line between enough detail and going overboard, so think ahead to what will likely be needed and leave some room for flexibility. Issues and needs may arise in the field that nobody could have foreseen.

Good Communication: The importance of good communication cannot be overstated. As with all aspects of alliance-building, constant communication can be difficult and time-consuming. Everybody is busy and it is easy to fall into the trap of "tunnel vision". It is well worth the effort, though. It is critical that all participants in grant negotiations and the procurement process are kept abreast of important developments. There should be a clear point person from each organization and a consistent network that disseminates information. Constant, clear communication streamlines the process by keeping all players on the same page and minimizing the frequency of misunderstandings.

Defined Roles: In any given alliance, there are numerous participants. To avoid confusion, responsibilities and funding/leveraging should be clearly defined. Ensure that all partners are aware of each other's respective roles and that the source(s) of leveraging is clear. This will also help streamline management of the program.

Recent Examples of Alliances:

Rockefeller Philanthropic Advisors (RPA) & HP Uganda: This recent grant has run into several obstacles that are educational for others entering the grant negotiation process. Launched on January 12, 2004, the Ugandan project needed a minimum of $25,000 for initial activities and equipment procurement. Due to confusion about the cost-share and counterpart agreements and the exact source of leveraging, there was some delay in commencing the one-year program. The contract was based on a reimbursement payment structure, so an action memorandum was initiated post-signing for advanced funding. The grant agreement will be modified. Upon completion, the modification will allow for the release of funding for the first month of operating expenses. Despite the snags, the project is moving forward to meet its deliverables and timelines. The difficulties encountered by this alliance's partners, however, illustrate the importance of good communication and a clear understanding of the grant negotiation and procurement process on the part of all involved.

GlobalGiving: The GlobalGiving grant initially fell victim to similar confusion regarding the payment structure. As a start-up entity, GlobalGiving was not cash rich and needed advance payments, but it was not made clear how they as the grantee were to be paid. The organization had a difficult time navigating new territory in their work with USAID and were in need of assistance to help them understand USAID rules and restrictions. In this instance, some Agency staff pulled out all stops to help the start-up, eventually untangling the knots. The alliance is now proceeding with much success. As a result of their experience, GlobalGiving suggests that a new grantees and contractors liaison within offices or bureaus, working with both contracts & program officers, is essential for the often perplexing grant negotiation and procurement processes.

Appendix XX
Overview of the Federal Advisory Committee Act (FACA)

In connection with the development and implementation of the Global Development Alliance (GDA), USAID proposes to consult with and seek the views of a range of outside parties. These consultations will be initiated by the GDA Secretariat as well as program bureaus and missions. Whenever USAID seeks the views of outside parties, consideration should be given to the potential application of FACA.

FACA (and GSA's implementing regulations) require that certain "advisory committees" be chartered, approved by OMB and GSA, give advance notice of meetings, have open meetings and publish minutes and comply with other public access requirements.

Generally speaking, an "advisory committee" under FACA is any group **not** composed entirely of full-time federal employees. However, FACA does not apply to committees that are established overseas and include non-US citizens.

One often hears that FACA does not apply to "one-time" meetings. There is no exemption under FACA for "one-time" meetings. Such meetings are usually justified on the grounds that individual, not consensus, views are being sought.

FACA only applies where the group is:
- **not** composed entirely of full-time government employees,
- established or **utilized** by the agency, and
- giving "consensus" advice, as opposed to individual views, to agency officials.

Thus, groups with private members (both established agency advisory committees and ad hoc groups) can meet with agency officials without having to comply with FACA to:
- receive information or advice;
- discuss internal scheduling and other non-advice matters; and
- discuss substantive matters and even proposed recommendations and advice,

provided:
- such advice and recommendations are aired at a later public meeting of an advisory committee; or
- only individual views are sought from the public attendees and not a group consensus.

The more times a group meets the harder it is to argue that consensus advice is not being sought. If there is a need for a continuing dialogue on a particular subject, one approach is to create a subcommittee of an existing committee established under FACA. The membership of the subcommittee can be completely different from that of the parent. The subcommittee can meet without complying with FACA as long as the matter is finally considered by the parent committee at a public meeting.

Appendix XXI
Sample Press Release: Kraft Cashew Sector Development

FOR IMMEDIATE RELEASE

August 5, 2004

Contact: USAID Press Office

WASHINGTON, DC - The United States Agency for International Development (USAID) and Kraft Foods Inc. announced today a public-private alliance to strengthen cashew production systems in Guinea and help lift local farmers out of poverty.

The alliance will strengthen local farmers and small businesses to effectively manage the growing cashew sector, while encouraging sustainable management of natural resources and fostering economic and social development in targeted regions of Guinea.

"Sustainable development is essential for countries such as Guinea to climb out of the depths of poverty. This program, which is an excellent example of USAID's Global Development Alliance model, will provide cashew farmers with the training and tools needed to achieve sustainability, thus assisting the nation in moving forward as a whole," said Frank Young, Deputy Assistant Administrator for USAID's Africa Bureau. "The alliance between Kraft and USAID creates a win-win situation for Kraft, USAID and, most importantly, for the farmers of Guinea."

USAID will commit up to $500,000 while Kraft and local partners in Guinea have pledged to fully match USAID's financial commitment. Kraft will commit up to $250,000 to the alliance. "Kraft is excited to work with USAID to develop Guinea's cashew sector," said Brian Meinken, Senior Director, Commodity Procurement for Kraft. "Through this alliance, we will be contributing to a sustainable future for farmers and their families while helping to ensure a high quality supply of cashews for our consumers. As one of the largest cashew purchasers in the world, we have a strong stake in promoting a long-term future for the industry and those who depend on it."

Guinea, a French-speaking country in West Africa, is one of the poorest countries in the world. About 80% of its population lives by subsistence farming. Poverty and the use of unsustainable agricultural practices have resulted in the rapid degradation of the natural resource base, as farmers are forced to clear large tracts of land to meet basic food needs. USAID, as the lead Agency in implementing the U.S. Government's foreign assistance program, works to promote economic growth and combat hunger, poverty, disease and environmental degradation in developing countries around the world. USAID's Global Development Alliance is an important new model for delivering foreign assistance in the 21st century. By harnessing the expertise and resources of private corporations, foundations and other non-governmental actors in support of international development, programmatic results are greatly multiplied.

Kraft Foods markets many of the world's leading food brands, including Planters nuts, Kraft cheese, Nabisco cookies and crackers, Philadelphia cream cheese, Oscar Mayer meats, Post cereals and Milka chocolates, in more than 150 countries.

For more information on USAID, please visit our website at www.usaid.gov. For more information on Kraft, please visit our website at www.kraft.com. Press inquiries should be addressed to Pat Riso at 914-335-6993 or to priso@kraft.com.